



FINANCIAL STATEMENTS
DECEMBER 31, 2020

MOORHEAD PUBLIC SERVICE

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INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of Moorhead Public Service, a component unit of the City of Moorhead, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Moorhead Public Service'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of Moorhead Public Service, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of Moorhead Public Service is intended to present the financial position and the changes in financial position of only that portion of each major fund of Moorhead Public Service. They do not purport to, and do not, present fairly the financial position of the City of Moorhead as of December 31, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 to total OPEB liability and related ratios, schedule of changes to pension liability and related ratios, and schedule of employer's contributions 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Moorhead Public Service's financial statements. The analysis of electric plant and accumulated depreciation/amortization and analysis of water plant and accumulated depreciation/amortization is presented for purposes of additional analysis and is not a required part of the financial statements.

The analysis of electric plant and accumulated depreciation/amortization and analysis of water plant and accumulated depreciation/amortization is the responsibility of management and was 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the analysis of electric plant and accumulated depreciation/amortization and analysis of water plant and accumulated depreciation/amortization is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021, on our consideration of Moorhead Public Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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 Moorhead Public Service's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 11, 2021, on our consideration of Moorhead Public Service's compliance with aspects of the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's *Minnesota Legal Compliance Audit Guide for Political Subdivisions* in considering Moorhead Public Service's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

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

Fargo, North Dakota
May 11, 2021

This section of the Moorhead Public Service (MPS) annual financial report presents an analysis of MPS' financial performance for the calendar year ending December 31, 2020. This information is presented in conjunction with the audited basic financial statements that follow this section.

With the onset of the COVID-19 Pandemic in March 2020, MPS anticipated potential revenue shortfalls during the quarantine period. MPS continued to provide electric utility and water utility services to its citizens and the Moorhead business community. MPS has maintained strong reserve balances which helped bridge financial gaps in revenue projections. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating uncertainty in the outcome of the 2021 budget.

MPS is organized into two operating funds – the Electric Fund and the Water Fund. This discussion and analysis presents the highlights of each fund separately, and in combined form.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- MPS' combined net position increased \$8.2 million, or 7.4%, from \$110.9 million to \$119.2 million. The Electric Fund's net position increased \$5.8 million, or 9.4%, from \$61.8 million to \$67.6 million. The Water Fund's net position increased \$2.5 million, or 5%, from \$49.1 million to \$51.6 million.
- Combined operating revenues decreased by \$533,000, or 1.0%, at \$52.6 million. Electric Fund operating revenues decreased \$1.1 million, or 2.5%, from \$43.8 million to \$42.7 million. Water Fund operating revenues increased \$581,000, or 6.2%, from \$9.3 million to \$9.9 million.
- Combined net transfers to the City of Moorhead increased \$108,000, or 1.1%, from \$9.5 million to \$9.6 million. Net Electric Fund transfers increased \$79,000, or 0.9%, from \$8.9 million to \$9.0 million. Water Fund transfers increased by \$29,000, or 4.9%, from \$593,000 to \$622,000.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements and Other Supplementary Information. The Financial Statements include notes that provide additional detail for some of the information included in the Financial Statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements report information utilizing generally accepted electric and water utility accounting practices. In general, these practices follow the Federal Energy Regulatory Commission's (FERC) prescribed Uniform System of Accounts (USOA). The financial statements consist of three required reports.

The ***Statement of Net Position*** summarizes MPS' assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to MPS' creditors (liabilities). The statement also provides information that can assist in making a variety of financial assessments about MPS' rate of return, structure, liquidity, and financial flexibility. Lastly, the statement also provides the deferred inflows and deferred outflows related to MPS' OPEB and pension plans.

The ***Statement of Revenues, Expenses, and Changes in Net Position*** summarizes the current year's revenues and expenses. This statement quantifies the success of MPS's operations. The statement can serve as a tool in determining how well MPS covered its costs through rates, fees, and other revenues. This statement also highlights MPS' profitability and credit worthiness.

The ***Statement of Cash Flows*** is the third required financial statement. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

FINANCIAL ANALYSIS OF MOORHEAD PUBLIC SERVICE

Table 1, Condensed Statement of Net Position, provides a summary of MPS' net position. The table presents the net positions of the Electric and Water Funds separately, and in combined form.

During 2020, the Electric Fund's total assets decreased by \$1.9 million, or 2.1%. Within total assets, current and other assets decreased by \$850,000 while capital assets decreased by \$1.1 million.

During 2020, the Electric Fund's liabilities decreased by \$7.7 million, or 26.2%. The decrease was primarily due to the early redemption of 2010 bonds originally incurred to pay for major construction projects.

The net effect of the changes in total assets and total liabilities within the Electric Fund resulted in an increase of \$5.8 million, or 9.4%, which increased the net position from \$61.8 million to \$67.6 million.

During 2020, the Water Fund's total assets increased \$15.3 million, or 22.4%. Within total assets, current and other assets increased by \$8.5 million while capital assets increased by \$6.8 million. The primary cause of the increase in assets was construction underway to complete a new lime sludge de-watering facility and a new water tower.

During 2020, the Water Fund's liabilities increased by \$12.9 million, or 67.2%. The decrease was primarily due to bonded financing used to pay for the major construction projects that resulted in new capital assets.

The net effect of the changes in total assets and total liabilities resulted in an increase in the net position of the Water Fund of \$2.4 million, or 5.0%, which increased the net position from \$49.2 million to \$51.6 million.

Table 1
Moorhead Public Service
Condensed Statement of Net Position
(In thousands of dollars)

	Electric				Water				Combined			
	2020	2019	Dollar Change	Percent change	2020	2019	Dollar Change	Percent change	2020	2019	Dollar Change	Percent change
Current and Other Assets	38,712	39,559	(847)	-2.1%	14,260	5,813	8,447	145.3%	52,972	45,372	7,600	16.8%
Deferred Outflows of Resources	273	226	47	20.8%	182	150	32	21.3%	455	376	79	21.0%
Capital Assets ¹	50,222	51,308	(1,086)	-2.1%	69,124	62,304	6,820	10.9%	119,346	113,612	5,734	5.0%
Total Assets	89,207	91,093	(1,886)	-2.1%	83,566	68,267	15,299	22.4%	172,773	159,360	13,413	8.4%
Long-term Debt ²	16,049	16,885	(836)	-5.0%	28,982	15,602	13,380	85.8%	45,031	32,487	12,544	38.6%
Other Liabilities	5,426	11,936	(6,510)	-54.5%	2,885	3,194	(309)	-9.7%	8,311	15,130	(6,819)	-45.1%
Deferred Inflows of Resources	156	490	(334)	-68.2%	104	327	(223)	-68.2%	260	817	(557)	-68.2%
Total Liabilities	21,631	29,311	(7,680)	-26.2%	31,971	19,123	12,848	67.2%	53,602	48,434	5,168	10.7%
Net investment in capital assets	35,941	30,018	5,923	19.7%	46,892	46,258	634	1.4%	82,833	76,276	6,557	8.6%
Restricted	1,804	3,048	(1,244)	-40.8%	6,458	746	5,712	765.7%	8,262	3,794	4,468	117.8%
Unrestricted	29,831	28,716	1,115	3.9%	(1,755)	2,140	(3,895)	-182.0%	28,076	30,856	(2,780)	-9.0%
Total Net Position	67,576	61,782	5,794	9.4%	51,595	49,144	2,451	5.0%	119,171	110,926	8,245	7.4%

¹ See Table 3 for details

² See Table 4 for details

Table 2, Condensed Statement of Revenues, Expenses, and Changes in Net Position, provides a summary of the changes in MPS' net position. The table presents the changes in net position for each fund separately, and in combined form.

Combined total revenue was \$53.9 million in 2020. Total revenues of the Electric and Water Funds were \$43.5 million and \$10.3 million, respectively. The Electric Fund's total revenue decrease of 4.0% was primarily due to a decrease in winter-season consumer consumption coupled with a second straight year without an electric rate increase. The Water Fund experienced an increase in revenue of 5.1%. The net increase was the result of a slight decrease in consumer consumption coupled with a 6% rate increase effective January 2020.

Combined total expenses including Transfers to the City were \$45.6 million in 2020. Within total expenses, operating expenses (net of depreciation) decreased 9.6% to \$29.7 million and net transfers to the City of Moorhead increased 1.1% to \$9.6 million.

MPS' combined net position increased by \$8.2 million, or 7.4%. The increase was the result of a \$5.8 million increase in the net position of the Electric Fund and a \$2.4 million increase in the net position of the Water Fund. Combined total revenues of \$53.8 million exceeded combined total expenses of \$45.6 million by \$8.2 million.

Table 2
Moorhead Public Service
Condensed Statement of Revenues, Expenses, and Changes in Net Position
(In thousands of dollars)

	Electric				Water				Combined			
	2020	2019	Dollar Change	Percent change	2020	2019	Dollar Change	Percent change	2020	2019	Dollar Change	Percent change
Operating Revenues	42,686	43,800	(1,114)	-2.5%	9,947	9,366	581	6.2%	52,633	53,166	(533)	-1.0%
Nonoperating Revenues	836	1,551	(715)	-46.1%	391	474	(83)	-17.5%	1,227	2,025	(798)	-39.4%
Total Revenue	43,522	45,351	(1,829)	-4.0%	10,338	9,840	498	5.1%	53,860	55,191	(1,331)	-2.4%
Operating Expense	25,078	27,277	(2,199)	-8.1%	4,629	5,596	(967)	-17.3%	29,707	32,873	(3,166)	-9.6%
Nonoperating Expenses	623	724	(101)	-14.0%	501	312	189	60.6%	1,124	1,036	88	8.5%
Depreciation Expense	3,086	2,852	234	8.2%	2,135	1,996	139	7.0%	5,221	4,848	373	7.7%
Transfers to City	8,972	8,893	79	0.9%	622	593	29	4.9%	9,594	9,486	108	1.1%
Total Expenses	37,759	39,746	(1,987)	-5.0%	7,887	8,497	(610)	-7.2%	45,646	48,243	(2,597)	-5.4%
Income Before Capital Contributions	5,763	5,605	158	2.8%	2,451	1,343	1,108	82.5%	8,214	6,948	1,266	18.2%
Capital Contributions	31	30	1	3.3%	0	537	(537)	-100.0%	31	567	(536)	-94.5%
Changes in Net Position	5,794	5,635	159	2.8%	2,451	1,880	571	30.4%	8,245	7,515	730	9.7%
Beginning Net Position	61,782	56,147	5,635	10.0%	49,144	47,264	1,880	4.0%	110,926	103,411	7,515	7.3%
Ending Net Position	67,576	61,782	5,794	9.4%	51,595	49,144	2,451	5.0%	119,171	110,926	8,245	7.4%

CAPITAL ASSETS

Table 3, Capital Assets Net of Depreciation, provides a summary of the changes in the net depreciated value of MPS' capital assets. The table presents the changes in value for each fund separately, and in combined form.

Total capital assets at the end of 2020 were \$119.3 million compared to \$113.6 million at the end of 2019. Total capital assets increased \$5.7 million, or 5.0%. Net capital assets of the Electric Fund decreased by \$1.1 million, or 2.1%. Net capital assets of the Water Fund increased by \$6.8 million, or 10.9%.

After depreciation, the Electric Fund's decrease in capital assets included a decrease in work-in-progress of \$1.2 million and an overall decrease of \$1.1 in total electric plant in-service assets.

After depreciation, the Water Fund's increase in capital assets included an increase in work-in-progress of \$6.1 million and an overall increase of \$6.8 million in total water plant in-service assets.

Additional information on capital assets can be found in Note 3 in the Notes to Financial Statements.

Table 3
MOORHEAD PUBLIC SERVICE
Capital Assets Net of Depreciation

Electric Fund				
	Balance 12/30/2020	Balance 12/31/2019	Increase (Decrease)	Percent
Plant in Service				
Land	\$ 1,071,555	\$ 1,071,555	\$ -	0.0%
Miscellaneous Intangible Plant	673,005	776,349	(103,344)	-13.3%
Production Plant	5,162,996	5,419,871	(256,875)	-4.7%
Transmission Plant	8,850,310	8,757,765	92,545	1.1%
Distribution Plant	27,604,923	27,393,666	211,257	0.8%
General Plant	6,778,634	6,605,289	173,345	2.6%
Total Electric Plant in Service	50,141,423	50,024,495	116,928	0.2%
Work-in-Progress	80,665	1,283,777	(1,203,112)	-93.7%
Total Electric Capital Assets	\$ 50,222,088	\$ 51,308,272	\$ (1,086,184)	-2.1%
Water Fund				
	Balance 12/30/2020	Balance 12/31/2019	Increase (Decrease)	Percent
Plant In Service				
Land	\$ 979,967	\$ 979,967	\$ -	0.0%
Source of Supply	6,161,288	6,471,248	(309,960)	-4.8%
Water Treatment Plant	8,490,398	8,324,438	165,960	2.0%
Transmission & Distribution Plant	44,244,979	43,148,274	1,096,705	2.5%
General Plant	1,447,337	1,707,216	(259,879)	-15.2%
Total Water Plant in Service	61,323,969	60,631,143	692,826	1.1%
Work-in-Progress	7,799,759	1,672,982	6,126,777	366.2%
Total Water Capital Assets	\$ 69,123,728	\$ 62,304,125	\$ 6,819,603	10.9%
Consolidated				
Total MPS Capital Assets	\$ 119,345,816	\$ 113,612,397	\$ 5,733,419	5.0%

LONG-TERM DEBT

Table 4, Long-Term Debt, provides a summary of the changes in the outstanding long-term debt of MPS. The table presents the changes in value for each fund separately, and in combined form.

The combined total long-term debt at the end of 2020 was \$45.0 million. The net change was an overall increase of \$12.5 million, or 38.6%. The increase was due to the issuance of new bonds through the city's general obligation capacity to be used for Water Fund projects in 2020 and 2021. The Electric Fund's long-term debt decreased by \$836,000, or 5.0%. The Water Fund's long-term debt increased by \$13.4 million, or 85.8%. Additional information on long-term debt can be found in Note 4 in the Notes to Financial Statements.

MPS reported \$4.4 million as a net pension liability for the year ending December 31, 2020. Additional information on net pension liability debt can be found in Note 8 in the Notes to Financial Statements.

Table 4
MOORHEAD PUBLIC SERVICE
Long-Term Debt

Electric Fund				
	Balance 12/30/2020	Balance 12/31/2019	Increase (Decrease)	Percent
OPEB Obligations	\$ 234,534	\$ 219,193	\$ 15,341	7.0%
Net Pension Liability	2,629,607	2,348,624	280,983	12.0%
Public Utility Revenue & Refunding Bonds	14,281,297	21,291,452	(7,010,155)	-32.9%
Total Long-Term Debt	17,145,438	23,859,269	(6,713,831)	-28.1%
Less: Current Portion				
Public Utility Revenue & Refunding Bonds	1,096,450	6,974,400	(5,877,950)	-84.3%
Total Current Portion of Long-Term Debt	1,096,450	6,974,400	(5,877,950)	-84.3%
Net Long-Term Debt	\$ 16,048,988	\$ 16,884,869	\$ (835,881)	-5.0%
Water Fund				
	Balance 12/30/2020	Balance 12/31/2019	Increase (Decrease)	Percent
OPEB Obligations	\$ 156,356	\$ 146,129	\$ 10,227	7.0%
Net Pension Liability	1,753,072	1,565,749	187,323	12.0%
Notes Payable	10,968,000	11,683,000	(715,000)	-6.1%
Public Utility Revenue & Refunding Bonds	17,171,985	4,363,157	12,808,828	293.6%
Total Long-Term Debt	30,049,413	17,758,035	12,291,378	69.2%
Less: Current Portion				
Notes Payable	724,000	715,000	9,000	1.3%
Public Utility Revenue & Refunding Bonds	343,550	1,440,600	(1,097,050)	-76.2%
Total Current Portion of Long-Term Debt	1,067,550	2,155,600	(1,088,050)	-50.5%
Net Long-Term Debt	\$ 28,981,863	\$ 15,602,435	\$ 13,379,428	85.8%
Consolidated				
Total MPS Net Long-Term Debt	\$ 45,030,851	\$ 32,487,304	\$ 12,543,547	38.6%

CONTACTING MOORHEAD PUBLIC SERVICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide MPS' rate payers, creditors, and investors with a general overview of MPS' finances and to demonstrate MPS' accountability for the money it receives. If you have questions about this report or need additional financial information, contact MPS' Controller by mail at Moorhead Public Service, P. O. Box 779, Moorhead, MN 56561-0779; by e-mail at mps@mpsutility.com; or by calling 218-477-8000.

	Electric	Water	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 9,455,086	\$ 3,960,859	\$ 13,415,945
Accounts receivable, net	2,819,128	642,434	3,461,562
Accounts receivable - unbilled revenues	2,945,700	601,700	3,547,400
Accrued interest receivable	55,285	8,003	63,288
Inventories	1,277,120	264,874	1,541,994
Prepaid items	72,563	17,427	89,990
Due from city funds	32,777	-	32,777
Due from other governmental units	385,719	-	385,719
	<u>17,043,378</u>	<u>5,495,297</u>	<u>22,538,675</u>
RESTRICTED ASSETS			
Revenue bond account	260,638	146,442	407,080
Bond reserve account	1,543,521	403,594	1,947,115
Unspent bond proceeds	-	5,908,112	5,908,112
	<u>1,804,159</u>	<u>6,458,148</u>	<u>8,262,307</u>
OTHER ASSETS			
Bond operations and maintenance reserve	4,716,000	1,019,000	5,735,000
Other long-term investments	15,148,892	1,288,087	16,436,979
	<u>19,864,892</u>	<u>2,307,087</u>	<u>22,171,979</u>
CAPITAL ASSETS			
In-service	90,040,296	91,112,999	181,153,295
Land	1,071,555	979,967	2,051,522
Work-in-progress	80,665	7,799,759	7,880,424
	<u>91,192,516</u>	<u>99,892,725</u>	<u>191,085,241</u>
Less accumulated depreciation	40,970,428	30,768,997	71,739,425
	<u>50,222,088</u>	<u>69,123,728</u>	<u>119,345,816</u>
Total assets	<u>88,934,517</u>	<u>83,384,260</u>	<u>172,318,777</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	31,334	20,889	52,223
Pension Plans	241,789	161,192	402,981
	<u>273,123</u>	<u>182,081</u>	<u>455,204</u>
Total assets and deferred outflows	<u>\$ 89,207,640</u>	<u>\$ 83,566,341</u>	<u>\$ 172,773,981</u>

	Electric	Water	Total
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets			
Accounts payable	\$ 379,729	\$ 1,203,387	\$ 1,583,116
Power costs payable	1,859,641	-	1,859,641
Sales tax payable	147,180	-	147,180
Customer deposits	96,572	-	96,572
Compensated absences	246,000	164,000	410,000
Due to other city funds	1,539,245	342,726	1,881,971
	<u>4,268,367</u>	<u>1,710,113</u>	<u>5,978,480</u>
Payable from restricted assets			
Accrued interest	61,446	107,796	169,242
Current maturities of notes	-	724,000	724,000
Current maturities of bonds payable	1,096,450	343,550	1,440,000
	<u>1,157,896</u>	<u>1,175,346</u>	<u>2,333,242</u>
LONG-TERM DEBT			
OPEB obligation	234,534	156,356	390,890
Net pension liability	2,629,607	1,753,072	4,382,679
Notes payable, less current maturities	-	10,244,000	10,244,000
Bonds payable, less current maturities	12,905,000	16,525,000	29,430,000
Premium on bonds payable	279,847	520,244	800,091
Discount on bonds payable	-	(216,809)	(216,809)
	<u>16,048,988</u>	<u>28,981,863</u>	<u>45,030,851</u>
Total liabilities	<u>21,475,251</u>	<u>31,867,322</u>	<u>53,342,573</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB	40,614	27,076	67,690
Pension plans	115,393	76,928	192,321
	<u>156,007</u>	<u>104,004</u>	<u>260,011</u>
Total liabilities and deferred inflows	<u>21,631,258</u>	<u>31,971,326</u>	<u>53,602,584</u>
NET POSITION			
NET POSITION			
Net investment in capital assets	35,940,790	46,891,856	82,832,646
Restricted for:			
Debt service	1,804,159	6,458,148	8,262,307
Unrestricted	29,831,433	(1,754,989)	28,076,444
	<u>67,576,382</u>	<u>51,595,015</u>	<u>119,171,397</u>
Total net position	<u>67,576,382</u>	<u>51,595,015</u>	<u>119,171,397</u>
Total liabilities and net position	<u>\$ 89,207,640</u>	<u>\$ 83,566,341</u>	<u>\$ 172,773,981</u>

	Electric	Water	Total
OPERATING REVENUES			
Charges for services	\$ 39,804,900	\$ 9,925,167	\$ 49,730,067
Other	2,880,796	21,957	2,902,753
Total operating revenues	<u>42,685,696</u>	<u>9,947,124</u>	<u>52,632,820</u>
OPERATING EXPENSES			
Purchased power	16,293,146	-	16,293,146
Production of power	200,876	-	200,876
Transmission	2,893,465	-	2,893,465
Distribution	2,634,948	1,040,980	3,675,928
Source of supply and pumping	-	265,629	265,629
Water treatment	-	2,113,874	2,113,874
Customer accounts	699,753	282,713	982,466
Administrative	2,356,201	926,299	3,282,500
Depreciation and amortization	3,085,936	2,135,327	5,221,263
Total operating expenses	<u>28,164,325</u>	<u>6,764,822</u>	<u>34,929,147</u>
OPERATING INCOME	14,521,371	3,182,302	17,703,673
NONOPERATING REVENUES (EXPENSES)			
Interest income and market adjustments	436,023	75,033	511,056
Gain (loss) on sale/disposal of capital assets	(99,742)	436	(99,306)
Other income	401,225	315,882	717,107
Interest expense	(522,901)	(500,572)	(1,023,473)
Total nonoperating revenues (expenses)	<u>214,605</u>	<u>(109,221)</u>	<u>105,384</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	14,735,976	3,073,081	17,809,057
TRANSFERS OUT TO OTHER FUNDS			
City general fund	(6,975,000)	(496,101)	(7,471,101)
City economic development fund	(50,000)	-	(50,000)
City capital improvement fund	(1,947,223)	(126,000)	(2,073,223)
Total transfers out	<u>(8,972,223)</u>	<u>(622,101)</u>	<u>(9,594,324)</u>
CONTRIBUTION OF CAPITAL ASSETS	<u>30,629</u>	<u>-</u>	<u>30,629</u>
CHANGE IN NET POSITION	5,794,382	2,450,980	8,245,362
NET POSITION, BEGINNING OF YEAR	<u>61,782,000</u>	<u>49,144,035</u>	<u>110,926,035</u>
NET POSITION, END OF YEAR	<u>\$ 67,576,382</u>	<u>\$ 51,595,015</u>	<u>\$ 119,171,397</u>

	Electric	Water	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 42,929,354	\$ 10,136,769	\$ 53,066,123
Payments to suppliers	(22,792,718)	(2,705,728)	(25,498,446)
Payments to employees	(2,659,860)	(1,129,072)	(3,788,932)
NET CASH FROM OPERATING ACTIVITIES	17,476,776	6,301,969	23,778,745
NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(8,972,223)	(622,101)	(9,594,324)
Payments received on notes and special receivables	6,475	-	6,475
Decrease in due from other funds	(26,243)	-	(26,243)
Decrease in due to other funds	(80,406)	(36,774)	(117,180)
Increase in net pension liability and related deferred inflows and outflows of resources	(100,837)	(67,225)	(168,062)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(9,173,234)	(726,100)	(9,899,334)
INVESTING ACTIVITIES			
Interest received and market adjustments	483,529	85,170	568,699
Purchase of investments	(2,927,811)	(5,712,373)	(8,640,184)
Proceeds from the sale of investments	1,244,006	465,995	1,710,001
NET CASH USED FOR INVESTING ACTIVITIES	(1,200,276)	(5,161,208)	(6,361,484)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,999,751)	(8,954,930)	(10,954,681)
Proceeds related to sale of assets	-	436	436
Proceeds from the issuance of long-term debt	-	13,985,000	13,985,000
Debt service - principal	(6,974,400)	(2,155,600)	(9,130,000)
Debt service - interest and fees	(593,946)	(179,787)	(773,733)
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(9,568,097)	2,695,119	(6,872,978)
NET CHANGE IN CASH BALANCE	(2,464,831)	3,109,780	644,949
CASH BALANCE, JANUARY 1	11,919,917	851,079	12,770,996
CASH BALANCE, DECEMBER 31	\$ 9,455,086	\$ 3,960,859	\$ 13,415,945

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 14,521,371	\$ 3,182,302	\$ 17,703,673
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization	3,085,936	2,135,327	5,221,263
Other income	401,225	315,882	717,107
Loss related to sale of assets	(99,742)	-	(99,742)
Customer contributions to capital assets	30,629	-	30,629
Change in assets and liabilities			
Receivables	(78,901)	(126,237)	(205,138)
Inventories	60,709	25,488	86,197
Prepaid items	65,534	(830)	64,704
Due from others	(9,553)	-	(9,553)
OPEB obligations	15,341	10,227	25,568
Accounts payable	(196,773)	972,810	776,037
Compensated Absences	<u>(319,000)</u>	<u>(213,000)</u>	<u>(532,000)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 17,476,776</u>	<u>\$ 6,301,969</u>	<u>\$ 23,778,745</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Moorhead Public Service, which is governed by the five appointed members of the Moorhead Public Service Commission, provides electric utility and water utility services to the citizens and business community of Moorhead, Minnesota. The public utility activities of the City of Moorhead are non-regulated. However, Moorhead Public Service follows the accounting requirements for similar regulated utilities to include the requirements set forth in the uniform system of accounts of the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners. However, the following of these accounting requirements does not materially affect the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

Moorhead Public Service's financial statements include all funds for which Moorhead Public Service is financially accountable.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. Moorhead Public Service is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. Able to impose its will on that organization, or
2. There is potential for the organization to provide specific financial benefits to, or impose financial burdens on Moorhead Public Service. Moorhead Public Service may be financially accountable if an organization is fiscally dependent on the entity.

Based upon the above criteria, there are no component units to be included within Moorhead Public Service as a reporting entity; however, Moorhead Public Service is includable as a component unit within the City of Moorhead as a reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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 the related cash flows.

Moorhead Public Service reports the following major proprietary funds:

Electric – This fund accounts for the provision of electric service to the citizens and business community of Moorhead, Minnesota.

Water – This fund accounts for the provision of water utility service to the citizens and business community of Moorhead, Minnesota, and one neighboring community.

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

Cash Equivalents

Moorhead Public Service considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

Receivable and Credit Policy

Moorhead Public Service’s trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 22 days from the invoice date. Prior to 2020, customers were charged a one-time 5% fee for late payments. In January 2020, the rate was lowered to 1%. In mid-March 2020, the assessment of late charges was suspended until further notice. The suspension remained in effect through the end of 2020.

The receivables are non-interest bearing. Payments on trade receivables are applied to the oldest unpaid invoices. All trade receivables are shown net of an allowance for uncollectible accounts. These allowances are equal to estimated losses that may be incurred in collection of outstanding receivables. At the end of 2020, the allowances for uncollectible accounts were \$50,450 for electric fund receivables and \$9,930 for water fund receivables.

During 2020, accounts receivable balances substantially increased as a number of customers fell behind with their payments or made no payments at all. During the year, the total of balances 60 or more days past due increased from \$44,425 at December 31, 2019 up to \$533,328 at December 31, 2020. Accordingly, management determined that approximately \$53,330 additional allowance should be recorded to account for potential future non-payment after normal collection processes resumed in April 2021.

Capital Assets

Capital assets are defined by Moorhead Public Service as assets with an initial, individual cost of more than \$5,000. Utility capital assets are stated at cost. The cost of additions to utility capital assets includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their cost, less net salvage, is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Wind turbines	30 years
Substations, poles, lines, and transformers	33-35 years
Meters	25 years
Vehicles other than line trucks	8-10 years
Line trucks	12-15 years
Water buildings, wells, storage tanks, and distribution lines	50 years
Office furniture and fixtures	10 years

Investments

Investments in securities are reported at fair value. Fair value is determined based on quoted market prices if available or estimated fair value using quoted market prices for similar securities. Interest, dividends, gains and losses, both realized and unrealized, on investments in debt and equity securities are included in other income (other expense) as appropriate.

Inventories

Inventories consisting primarily of materials, chemicals, and fuel are stated at the lower of cost or net realizable value. Cost is determined using the average cost method of inventory valuation.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

Compensated Absences

It is Moorhead Public Service's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. All employees are entitled to vacation time with pay based upon length of continuous service. Administrative employees do not have a ceiling on the total hours of vacation that may be accrued throughout the year, but their maximum at year-end is 300 hours. A maximum of 300 hours will be paid to administrative employees upon termination of employment. Union employees are allowed to carry over their current year accrual plus 80 hours of their prior year accrual, of which 40 hours must be used before April 1 of the following year. Employees shall be entitled to 50% of their accrued sick pay, up to a maximum of 650 hours, if they terminate employment for one of these four conditions: retirement, disability, survivor, or honorable conditions (25 years of service with good standing).

In addition, Moorhead Public Service's policy permits eligible employees to accumulate leave credit in lieu of compensation. Each employee will be paid that portion of the employee's assigned salary that is permitted by law. An employee whose salary and other forms of compensation exceeds the amount permitted by law is entitled to receive leave hours in lieu of that portion of the salary that is in excess of the amount permitted by law. The amount of leave hours will be calculated utilizing the employee's actual annual rate of pay established pursuant to the applicable compensation policy and plan. The Moorhead Public Service Commission or the General Manager is authorized to establish the assigned salary using the provisions of this policy and the compensation plan established by the Moorhead Public Service Commission.

Revenue Recognition

Revenue for electricity and water is recorded when services are delivered. Any unbilled services are accrued and recorded as a receivable.

Power & Transmission Costs

The monthly billings from the wholesale power supplier for power and transmission costs are reflected in the accounts to the end of the month.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Moorhead Public Service has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end and changes in the net pension liability not included in pension expense reported in the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Moorhead Public Service has one item that qualifies for reporting in this category. The item is to recognize the change in the net position liability that is not included in pension expense reported in the statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in Moorhead Public Service's financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Moorhead Public Service's practice to use unrestricted resources first, and then restricted resources, in accordance with bond covenants.

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, a depositor's funds may not be returned. Moorhead Public Service does not have a formal policy to further limit exposure to custodial credit risk. In accordance with Minnesota state statutes, Moorhead Public Service maintains deposits at depository banks authorized by the Moorhead City Council, of which all are members of the Federal Reserve System. Minnesota statutes require that all Moorhead Public Service 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 bonds (140% in the case of mortgage notes pledged). Minnesota statutes require that securities pledged as collateral be held in safekeeping by the financial officer or in a financial institution other than that furnishing the collateral. As of December 31, 2019, Moorhead Public Service's deposits were fully insured or properly collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Moorhead Public Service's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. After the liquidity needs and scheduled maturity needs are satisfied, the balance of the funds available for investment are placed with institutions that offer the greatest safety and highest rate of return consistent with the maturities as determined by Moorhead Public Service.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Beyond what is stated in state statutes, Moorhead Public Service does not have a formal policy to further limit its exposure to credit risk. Moorhead Public Service's investments in the U.S. government bonds and money market funds are not rated.

Investments

Minnesota Statutes authorize Moorhead Public Service to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, bankers' acceptances, certain repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. As of December 31, 2020, Moorhead Public Service had the following investments and maturities:

Restricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	\$ 2,422,085	\$ -	\$ 508,228	\$ 1,401,805	\$ 512,052	\$ -
Money Market Funds	5,840,222	5,840,222	-	-	-	-
Total Restricted Investments	\$ 8,262,307	\$ 5,840,222	\$ 508,228	\$ 1,401,805	\$ 512,052	\$ -

Unrestricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	\$ 22,171,979	\$ -	\$ 1,601,389	\$ 15,912,789	\$ 4,342,731	\$ 315,070

Moorhead Public Service categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2020, all of Moorhead Public Service's investments are valued using quoted market prices (Level 1 inputs).

Restricted Assets

Bond resolutions related to the bonds described in Note 4 provide for the maintenance of the following:

1. A revenue bond account that will be used to pay bond principal and interest. This account is funded by an irrevocable monthly pledge of 1/12 of the interest and principal due during the following 12 months.
2. A bond reserve account to supplement the revenue bond account. This account shall contain an amount sufficient to pay the lesser of the largest sum of principal and interest due during any year or 10% of the original principal amount of all outstanding Parity Bonds.
3. An income reserve account in an amount sufficient to cover the operation and maintenance costs of the utility for an ensuing two-month period.
4. A bond proceeds account is set up to record the unexpended bond proceeds.

As of December 31, 2020, Moorhead Public Service was in compliance with all bond resolutions.

NOTE 3 – CAPITAL ASSETS

Capital assets for the Electric Fund are as follows:

Electric Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,071,555	\$ -	\$ -	\$ 1,071,555
Construction work-in-progress	1,283,777	2,151,507	3,354,619	80,665
	<u>2,355,332</u>	<u>2,151,507</u>	<u>3,354,619</u>	<u>1,152,220</u>
Capital assets, being depreciated:				
Miscellaneous intangible plant	1,288,813	-	-	1,288,813
Production plant	8,678,475	-	-	8,678,475
Transmission plant	16,268,618	514,760	-	16,783,378
Distribution plant	48,407,044	1,978,926	424,904	49,961,066
General plant	12,809,329	860,933	341,698	13,328,564
	<u>87,452,279</u>	<u>3,354,619</u>	<u>766,602</u>	<u>90,040,296</u>
Less accumulated depreciation for:				
Miscellaneous intangible plant	512,464	103,344	-	615,808
Production plant	3,258,604	256,875	-	3,515,479
Transmission plant	7,510,853	422,215	-	7,933,068
Distribution plant	21,013,378	1,652,498	309,733	22,356,143
General plant	6,204,040	651,004	305,114	6,549,930
	<u>38,499,339</u>	<u>3,085,936</u>	<u>614,847</u>	<u>40,970,428</u>
Total capital assets, being depreciated, net	<u>48,952,940</u>	<u>268,683</u>	<u>151,755</u>	<u>49,069,868</u>
Capital assets, net	<u>\$ 51,308,272</u>	<u>\$ 2,420,190</u>	<u>\$ 3,506,374</u>	<u>\$ 50,222,088</u>

Capital assets for the Water Fund are as follows:

Water Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 979,967	\$ -	\$ -	\$ 979,967
Construction work-in-progress	1,672,982	8,954,930	2,828,153	7,799,759
	<u>2,652,949</u>	<u>8,954,930</u>	<u>2,828,153</u>	<u>8,779,726</u>
Capital assets, being depreciated:				
Source of supply plant structure and improvements	11,588,755	9,341	-	11,598,096
Pumping plant	30,914	-	-	30,914
Water treatment plant	17,174,095	502,441	-	17,676,536
Transmission and distribution plant	56,127,867	2,316,371	39,912	58,404,326
General plant	3,403,127	-	-	3,403,127
	<u>88,324,758</u>	<u>2,828,153</u>	<u>39,912</u>	<u>91,112,999</u>
Less accumulated depreciation for:				
Source of supply plant structure and improvements	5,117,507	319,301	-	5,436,808
Pumping plant	30,914	-	-	30,914
Water treatment plant	8,849,657	336,481	-	9,186,138
Transmission and distribution plant	12,979,593	1,219,666	39,912	14,159,347
General plant	1,695,911	259,879	-	1,955,790
	<u>28,673,582</u>	<u>2,135,327</u>	<u>39,912</u>	<u>30,768,997</u>
Total capital assets, being depreciated, net	<u>59,651,176</u>	<u>692,826</u>	<u>-</u>	<u>60,344,002</u>
Capital assets, net	<u>\$ 62,304,125</u>	<u>\$ 9,647,756</u>	<u>\$ 2,828,153</u>	<u>\$ 69,123,728</u>

NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in debt for Moorhead Public Service as of December 31, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Long-Term After One Year	Due Within One Year
Compensated Absences	\$ 942,000	\$ -	\$ 532,000	\$ 410,000	\$ -	\$ 410,000
Notes Payable	11,683,000	-	715,000	10,968,000	10,244,000	724,000
Public Utility Revenue & Refunding Bonds						
Series 2007A	3,600,000	-	405,000	3,195,000	2,770,000	425,000
Series 2009A	600,000	-	110,000	490,000	375,000	115,000
Series 2010C	7,090,000	-	7,090,000	-	-	-
Series 2012E	2,680,000	-	300,000	2,380,000	2,070,000	310,000
Series 2016A	11,330,000	-	510,000	10,820,000	10,290,000	530,000
Series 2020A	-	13,985,000	-	13,985,000	13,925,000	60,000
Less unamortized discount	-	(223,186)	(6,377)	(216,809)	(205,877)	(10,932)
Plus unamortized premium	354,609	506,259	60,777	800,091	727,835	72,256
	<u>\$ 38,279,609</u>	<u>\$ 14,268,073</u>	<u>\$ 9,716,400</u>	<u>\$ 42,831,282</u>	<u>\$ 40,195,958</u>	<u>\$ 2,635,324</u>

Compensated Absences

This amount consists of payments for vacation, sick pay benefits and accumulated leave credit in lieu of compensation that will be paid out of both funds as discussed in Note 1.

Notes Payable

The following is a summary of notes payable for the year ended December 31, 2020:

	Interest Rates	Electric	Water	Total
Minnesota Public Facilities Authority				
Drinking Water SRF Bond Fund Loan				
MPFA-09-0036-R-FY15	1.02%	\$ -	\$ 9,056,000	\$ 9,056,000
MPFA-DWRF-L-0006-FY16	1.00%	-	1,912,000	1,912,000
		<u>-</u>	<u>10,968,000</u>	<u>10,968,000</u>
Less current maturities		<u>-</u>	<u>(724,000)</u>	<u>(724,000)</u>
		<u>\$ -</u>	<u>\$ 10,244,000</u>	<u>\$ 10,244,000</u>

Principal repayments on the notes payable debt through maturity are as follows:

	Electric		Water	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 724,000	\$ 111,491
2022	-	-	731,000	104,130
2023	-	-	739,000	96,698
2024	-	-	747,000	89,184
2025	-	-	754,000	81,590
2026-2030	-	-	3,886,000	291,372
2031-2035	-	-	3,387,000	89,796
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,968,000</u>	<u>\$ 864,261</u>

Revenue & Refunding Bonds

The following is a summary of bonds payable for the year ended December 31, 2020:

	Interest Rates	Electric	Water	Total
Public Utility Revenue & Refunding Bonds				
Series 2007A	5.17%	\$ 1,501,650	\$ 1,693,350	\$ 3,195,000
Series 2009A	3.0% - 4.75%	490,000	-	490,000
Series 2012E	2.0% - 3.0%	2,380,000	-	2,380,000
Series 2016A	2.0% - 4.0%	9,629,800	1,190,200	10,820,000
Series 2020A	2.0% - 5.0%	-	13,985,000	13,985,000
		14,001,450	16,868,550	30,870,000
Less current maturities		(1,096,450)	(343,550)	(1,440,000)
Net bonds payable, less current maturities		12,905,000	16,525,000	29,430,000
Plus unamortized discount or premium		279,847	303,435	583,282
		<u>\$ 13,184,847</u>	<u>\$ 16,828,435</u>	<u>\$ 30,013,282</u>

Moorhead Public Service is in compliance with all significant limitations and restrictions contained in the various bond indentures. Assets restricted by the provisions of the bond resolutions are set forth in Note 2.

The net revenues of Moorhead Public Service are pledged as security for these debts. The bonds call for semiannual payments of interest and annual payments of principal on various dates through 2040. Principal and interest repayments on the bond debt through maturity are as follows:

	Electric		Water	
	Principal	Interest	Principal	Interest
2021	\$ 1,096,450	\$ 444,820	\$ 343,550	\$ 509,661
2022	1,138,650	401,264	361,350	492,682
2023	1,187,650	355,871	377,350	474,819
2024	1,232,200	308,248	392,800	456,104
2025	1,146,200	258,673	413,800	436,681
2026-2030	4,115,200	799,484	2,764,800	1,843,474
2031-2035	3,359,750	374,428	4,025,250	1,311,809
2036-2040	725,350	19,948	8,189,650	621,284
	<u>\$ 14,001,450</u>	<u>\$ 2,962,736</u>	<u>\$ 16,868,550</u>	<u>\$ 6,146,514</u>

Pledged Revenue

Moorhead Public Service has pledged future revenues, net of specified operating expenses, to repay various debt issues. The debt and information relating to the pledged revenues at December 31, 2020, are as follows:

	Purpose	Pledged Revenue Source	Approximate Amount of Revenue Pledged	Final Maturity Date	Issue Amount	Principal and Interest Paid	Net Revenues	Total Principal and Interest Remaining
Business-type activities								
Revenue Bonds and Notes								
Series 2007A	System Construction	Utility Revenues	7%	2027	\$ 7,245,000	\$ 587,992	\$ 8,245,362	\$ 3,823,256
Series 2009A	System Construction	Utility Revenues	2%	2024	7,530,000	137,036	8,245,362	547,902
Series 2010C	System Construction	Utility Revenues	87%	2025-Called 2020	10,340,000	7,168,794	8,245,362	-
Series 2012E	System Construction	Utility Revenues	5%	2027	4,570,000	380,400	8,245,362	2,674,000
Series 2016A	System Construction	Utility Revenues	10%	2036	12,730,000	839,231	8,245,362	13,421,742
Series 2020A	System Construction	Water Revenues	7%	2040	13,985,000	166,758	2,450,980	19,512,350

NOTE 5 - OPEB OBLIGATIONS

A. Plan Description

All employees are allowed to, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd. 2b, participate in Moorhead Public Service’s health insurance plan after retirement. This plan covers active and retired employees who have reached age 55 with at least 5 years of service. Benefit provisions are established through negotiations between Moorhead Public Service and the unions representing employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

Moorhead Public Service allows access to the contract groups other post-retirement benefits of blended medical premiums of \$751 for single and \$1,971 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life benefits.

C. Employees Covered by Benefit Terms

At the valuation date of January 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	58
Total	<u>61</u>

D. Total OPEB Liability

Moorhead Public Service’s total OPEB liability of \$390,890 was measured as of January 1, 2020 and was determined by an actuarial valuation as of January 1, 2019.

E. Actuarial Assumptions

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%	
Salary increases	3.00%	
Discount Rate	2.90%	
Healthcare cost trend rates	6.25% decreasing to 5.00% over 5 years	
Retiree Plan Participation	Future Retirees Electing Coverage	
	Pre-65 subsidy available	N/A
	Pre-65 subsidy not available	40%

Percent of Married Retirees
Electing Spouse Coverage

Percent Future Retirees Electing Pre-65
Spouse Coverage:

Spouse subsidy available N/A

Spouse subsidy not available 25%

Since the plan is not funded (has no assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

Mortality rates used were based on the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale as developed and recommended by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study as of January 1, 2019.

F. Changes in the Total OPEB Liability

Balance at January 1, 2019	\$ 365,322
Changes from the Prior Year:	
Service Cost	33,344
Interest Cost	14,341
Assumption Changes	20,804
Differences between Expected and Actual Experience	0
Benefit Payments	<u>(42,921)</u>
Balance at January 1, 2020	<u><u>\$ 390,890</u></u>

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of Moorhead Public Service, as well as what Moorhead Public Service's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Total OPEB Liability	\$ 421,094	\$ 390,890	\$ 362,615
Discount Rate	1.90%	2.90%	3.90%

The following presents the total OPEB liability of Moorhead Public Service, as well as what Moorhead Public Service's total OPEB liability would be if it were calculated using a healthcare trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare trend rate:

	1% Decrease In Healthcare <u>Trend Rate</u>	Healthcare <u>Trend Rate</u>	1% Increase In Healthcare <u>Trend Rate</u>
Total OPEB Liability	\$ 344,223	\$ 390,890	\$ 447,786
Healthcare Trend Rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended December 31, 2020, Moorhead Public Service recognized OPEB expense of \$39,004. At December 31, 2020, Moorhead Public Service had \$52,223 in deferred outflows of resources related to OPEB and \$67,690 in deferred inflows of resources related to OPEB.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Losses	\$ -	\$ -
Liability Gains		63,094
Assumption Changes	18,203	4,596
Investment Gains		N/A
Investment Losses	N/A	
Estimated Employer Contributions	34,020	
Total	<u>\$ 52,223</u>	<u>\$ 67,690</u>

Future Recognition of Deferred Flows in OPEB Expense

a. December 31, 2021	(8,681)
b. December 31, 2022	(8,681)
c. December 31, 2023	(8,681)
d. December 31, 2024	(8,681)
e. December 31, 2025	(8,681)
f. Thereafter	(6,082)

NOTE 6 – INTERFUND PAYABLES AND RECEIVABLES

Interfund payables and receivables are used to record accrued obligations between funds. A summary of the interfund balances as of December 31, 2019, is as follows.

Payable	Amount
Electric Fund - Due to City of Moorhead's General, Capital Improvement, Economic Development, Sanitation, and Wastewater Funds	<u>\$ 1,539,245</u>
Water Fund - Due to City of Moorhead General Fund	<u>\$ 342,726</u>
<hr/>	
Receivable	Amount
Electric Fund - Due from City of Moorhead General Fund	<u>\$ 32,777</u>

NOTE 7 – APPROPRIATION TRANSFERS

According to the Moorhead City Charter (City Charter), annual transfers from MPS' net revenues to the city's General Fund shall not exceed 20% of gross income from the electric utility and 5% from any other utility. The City Charter also authorizes transfers from its public utilities' net revenues to the city's Capital Improvement Fund an amount not to exceed 5% of gross income.

Late in 2018, the Moorhead City Council and Moorhead Public Service Commission entered into a five-year extension to the original 2014 Electric Fund Transfer Agreement (Transfer Agreement) for years 2015 to 2018. The extension will be in effect for years 2019 through 2023. The Transfer Agreement provides a reasonable and predictable approach for the annual determination of the Electric Fund transfer to the General Fund. The Transfer Agreement formula for calculating the annual transfer for future years is based on a Net Revenue Transfer Multiplier applied to net kilowatt hour sales from a previous year, subject to a base transfer floor.

In 2020, the Electric Fund transferred the base transfer of \$6,975,000 to the General Fund; 5%, or \$1,947,223 of its gross income net of certain revenues exempted from the calculation by the City Council to the Capital Improvement Fund; and \$50,000 to the Economic Development Fund, as provided by state law. In 2020, the Water Fund transferred 5%, or \$496,101 of its gross income net of certain revenues exempted from the calculation by the City Council to the General Fund and \$126,000 to the Capital Improvement Fund.

Appropriation Transfers - Electric Fund	2020
City General Fund	\$ 6,975,000
City Capital Improvement Fund	1,947,223
City Economic Development Fund	50,000
Total	<u>\$ 8,972,223</u>
<hr/>	
Appropriation Transfers - Water Fund	2020
City General Fund	\$ 496,101
City Capital Improvement Fund	126,000
Total	<u>\$ 622,101</u>

NOTE 8 - PENSION PLAN

A. Plan Description

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

All full-time and certain part-time employees of the [entity's name] are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and MPS was required to contribute 7.50 percent for Coordinated Plan members. MPS's contributions to the General Employees Fund for the year ended December 31, 2020, were \$369,839. MPS's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2020, MPS reported a liability of \$4,382,679 for its proportionate share of the General Employees Fund's net pension liability. MPS's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with MPS totaled \$135,049. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MPS's proportionate share of the net pension liability was based on MPS's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers.

MPS's proportionate share was 0.0731 percent at the end of the measurement period and 0.0708 percent for the beginning of the period.

MPS' proportionate share of the net pension liability	\$ 4,382,679
State of Minnesota's proportionate share of the net pension liability associated with MPS	135,049
Total	<u>\$ 4,517,728</u>

For the year ended December 31, 2020, MPS recognized pension expense of \$420,985 for its proportionate share of the General Employees Plan's pension expense. In addition, MPS recognized an additional \$11,753 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, MPS reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 38,711	\$ 16,582
Changes in actuarial assumptions	-	159,856
Net collective difference between projected and actual investment earnings	83,835	-
Changes in proportion	95,371	15,883
Contributions paid to PERA subsequent to the measurement date	185,064	-
Total	<u>\$ 402,981</u>	<u>\$ 192,321</u>

The \$185,064 reported as deferred outflows of resources related to pensions resulting from MPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2021	\$ (219,431)
2022	24,229
2023	114,911
2024	105,887
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Fixed Income	20.0%	0.75%
Private Markets	25.0%	5.90%
Cash Equivalents	2.0%	5.90%
Total	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the [entity's] 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 [entity's] proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Lower</u>	<u>Current Discount Rate</u>	<u>1% Higher</u>
General Employees Fund Discount Rate	6.50%	7.50%	8.50%
Moorhead Public Service's proportionate share of GERF net pension liability	\$ 7,023,914	\$ 4,382,679	\$ 2,203,872

H. Pension Plan Fiduciary Net Position

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

NOTE 9 - PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (DEFINED CONTRIBUTION PLAN)

Fifty-seven employees and public service commission board members of MPS are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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 five percent 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 contributions 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 two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the Moorhead Public Service during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$338,727	\$390,839	6.50%	7.50%	7.50%

NOTE 10 - COMMITMENTS

Wholesale Power Agreements

Under its wholesale power agreement, the municipality is committed to purchase a fixed amount of electric power and energy requirements from Western Area Power Administration until December 31, 2050.

The municipality is also committed to purchase its supplemental power from Missouri River Energy Services. The agreement, which runs until January 1, 2057, provides that the municipality purchase electric power in excess of that available from Western Area Power Administration, up to the level required in 2020. Beginning in 2027, and each fifth year thereafter, the municipality has the opportunity to continue receiving 100% of its supplemental power from Missouri River Energy Services or establish a maximum rate of delivery.

In March 2021, MPS received a letter from its power supplier, MRES, regarding the potential settlement of a transmission case affecting MRES members that MRES had been working to resolve for several years. MRES' position was that past and future transmission rates that were unjust, unreasonable, and unduly discriminatory to MRES members. As a result of ongoing negotiations, MRES anticipated that it would be able to negotiate a financial settlement to share amongst its members. The projected portion of the settlement for MPS was estimated to be approximately \$1,721,000. In early May 2021, MPS received notice from MRES that the negotiated settlement was approved and that it would be receiving \$1,721,140.46.

Other Contracted Obligations

In 2019, Moorhead Public Service solicited and awarded bids for two major water fund projects. The largest project was the design and construction in 2020-2021 of a Lime Sludge Dewatering Facility for which contracts totaling \$7,125,000 were awarded and approved in November 2019. The second major project was the design and construction in 2020-2021 of a new Southside Water Tower and related Southside Watermain Improvements to supply the water tower for which contracts totaling \$3,176,000 were awarded in August 2019. Work on both projects commenced in 2020.

Through December 31, 2020 approximately \$3,958,000 and \$2,209,000 had been expended on the Lime Sludge Dewatering Facility project and the Southside Water Tower and Watermain Improvements project, respectively.

Both projects are expected to be completed and operational in 2021 with remaining expenditures for work still to be completed of \$3,167,000 for the Lime Sludge Dewatering Facility project and \$967,000 for the new Southside Water Tower and related Southside Watermain Improvements project.

NOTE 11 – SUBSEQUENT EVENTS

During much of 2020 and into 2021, Moorhead Public Service has been impacted by the effects of the world-wide coronavirus pandemic. Moorhead Public Service is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

As of the date of issuance of these financial statements, Moorhead Public Service's management does not expect the pandemic to have a significant impact on operations, liquidity, or capital resources.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes to Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

	12/31/2020	12/31/2019	12/31/2018
Service cost	33,344	27,943	31,306
Interest	14,341	15,515	15,851
Changes in assumptions	20,804	(6,128)	0
Differences between Expected and Actual Experience	0	(84,126)	0
Benefit payments	<u>(42,921)</u>	<u>(59,686)</u>	<u>(48,391)</u>
Net change in total OPEB liability	25,568	(106,482)	(1,234)
Total OPEB Liability - beginning	365,322	471,804	473,038
Total OPEB Liability - ending	390,890	365,322	471,804
Covered employee payroll	4,638,093	4,503,003	4,375,925
Total OPEB liability as a percentage of covered employee payroll	8.0%	8.0%	10.8%

* GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Moorhead Public Service will present information for those years for which information is available.

Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

2020 Changes

Benefit Changes

- For the year ending December 31, 2020: None.

Assumption Changes

- For the year ending December 31, 2020: The discount rate was changed from 3.80% to 2.90%.

2019 Changes

Benefit Changes

- For the year ending December 31, 2019: None.

Assumption Changes

- For the year ending December 31, 2019: The health care trend rates and the mortality tables were updated along with the discount rate changing from 3.30% to 3.80%.

Schedule of Employer's Share of Net Pension Liability*

Pension Plan	Measurement Date	Proportion (Percentage) of the Net Pension Liability	Share (Amount) of the Net Pension Liability (a)	Pension Liability Associated With MPS (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	as a Percentage of its Covered-Employee Payroll (a/d)	Net Position as a Percentage of the Total Pension Liability
GERF	6/30/2020	0.0731%	\$ 4,382,679	\$ 135,049	\$ 4,517,728	\$ 4,905,566	108.6%	79.6%
GERF	6/30/2019	0.0708%	3,914,373	121,661	4,036,034	5,308,088	131.5%	80.2%
GERF	6/30/2018	0.0712%	3,949,884	129,501	4,079,385	4,484,756	109.9%	79.5%
GERF	6/30/2017	0.0715%	4,564,514	57,367	4,621,881	7,092,367	153.5%	75.9%
GERF	6/30/2016	0.0706%	5,732,370	74,844	5,807,214	6,476,607	111.5%	68.9%
GERF	6/30/2015	0.0686%	3,555,208	N/A	3,555,208	6,393,326	179.8%	78.2%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Moorhead Public Service will present information for those years for which information is available.

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Schedule of Employer's Contributions*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered- Employee Payroll (b/c)
GERF	12/31/2020	\$ 369,839	\$ 369,839	\$ -	\$ 4,931,187	7.5%
GERF	12/31/2019	376,011	376,011	-	5,013,480	7.5%
GERF	12/31/2018	358,722	358,722	-	4,782,960	7.5%
GERF	12/31/2017	345,294	345,294	-	4,603,920	7.5%
GERF	12/31/2016	335,637	335,637	-	4,475,155	7.5%
GERF	12/31/2015	311,115	311,115	-	4,148,200	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Moorhead Public Service will present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

Electric Capital Assets

	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020
PLANT IN SERVICE				
Miscellaneous				
Intangible plant	\$ 1,288,813		\$ -	\$ 1,288,813
Production plant land				
Land	921,919	-	-	921,919
Production plant				
Structures and improvements	7,137,968	-	-	7,137,968
Accessory electric equipment	221,092	-	-	221,092
Wind turbine	1,319,415	-	-	1,319,415
	8,678,475	-	-	8,678,475
Transmission plant land				
Land	149,636	-	-	149,636
Transmission plant				
Structures and improvements	16,268,618	514,760	-	16,783,378
Distribution plant				
Station equipment	10,093,094	91,019	-	10,184,113
Poles, towers, and fixtures	2,494,474		16,952	2,477,522
Underground conduit	22,909,373	1,381,433	315,079	23,975,727
Line transformers	6,685,130	430,122	71,441	7,043,811
Services	1,906,102	-	-	1,906,102
Meters	2,532,678	50,125	21,432	2,561,371
Installations on customer premises	220,642	-	-	220,642
Street lighting and signal systems	1,565,551	26,227	-	1,591,778
	48,407,044	1,978,926	424,904	49,961,064
General plant				
Structures and Improvements	4,047,533	128,935	-	4,176,468
Office furniture and equipment	1,535,727	34,129	-	1,569,856
Transportation equipment	2,916,465	658,503	341,698	3,233,270
Stores equipment	3,681	-	-	3,681
Tools, shop, and garage equipment	329,622	-	-	329,622
Communication equipment	3,976,301	39,366	-	4,015,667
	12,809,329	860,933	341,698	13,328,564
Total electric plant in service	88,523,834	3,354,619	766,602	91,111,851
CONSTRUCTION WORK-IN-PROGRESS	1,283,777	2,151,507	3,354,619	80,665
	\$ 89,807,611	\$ 5,506,126	\$ 4,121,221	\$ 91,192,516

Accumulated Depreciation/Amortization						Percent of Depreciation Amortization to Plant
Annual Depreciation Amortization Rates		Balance 12/31/2019	Provision	Retirements	Balance 12/31/2020	
10.0 - 12.5	%	\$ 512,464	\$ 103,344	\$ -	\$ 615,808	47.78%
		-			-	-
2		2,318,891	212,928	-	2,531,819	35.47%
3		221,092	-	-	221,092	100.00%
3		718,621	43,947	-	762,568	57.80%
		3,258,604	256,875	-	3,515,479	
		-	-	-	-	-
3		7,510,853	422,215	-	7,933,068	47.27%
2		4,898,124	320,442	-	5,218,566	51.24%
3		2,222,486	14,382	16,952	2,219,916	89.60%
2		8,367,777	821,858	199,907	8,989,728	37.50%
3		2,556,510	211,238	71,442	2,696,306	38.28%
3		1,301,537	39,964	-	1,341,501	70.38%
4		689,231	192,580	21,432	860,379	33.59%
4		104,507	4,593	-	109,100	49.45%
3		873,206	47,441	-	920,647	57.84%
		21,013,378	1,652,498	309,733	22,356,143	
10		1,051,360	89,423	-	1,140,783	27.31%
10		898,568	132,063	-	1,030,631	65.65%
5 - 25		1,386,677	199,305	305,114	1,280,868	39.62%
10		3,681	-	-	3,681	100.00%
10		290,821	10,687	-	301,508	91.47%
6		2,572,933	219,526	-	2,792,459	69.54%
		6,204,040	651,004	305,114	6,549,930	
		38,499,339	3,085,936	614,847	40,970,428	
		-	-	-	-	
		\$ 38,499,339	\$ 3,085,936	\$ 614,847	\$ 40,970,428	

Water Capital Assets

	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020
PLANT IN SERVICE				
Land	\$ 979,967	\$ -	\$ -	\$ 979,967
Source of supply plant structures and improvements	11,588,755	9,341	-	11,598,096
Pumping plant	30,914	-	-	30,914
Water treatment plant	17,174,095	502,441	-	17,676,536
Transmission and distribution plant				
Towers	1,652,798	-	-	1,652,798
Mains	52,260,701	2,261,507	29,880	54,492,328
Meters	2,214,368	54,864	10,032	2,259,200
	56,127,867	2,316,371	39,912	58,404,326
General plant				
Office furniture and equipment	73,769	-	-	73,769
Transportation equipment	1,513,958	-	-	1,513,958
Tools, shop, and garage equipment	151,540	-	-	151,540
Laboratory equipment	428,344	-	-	428,344
SCADA equipment	1,235,516	-	-	1,235,516
	3,403,127	-	-	3,403,127
Total water plant in service	89,304,725	2,828,153	39,912	92,092,966
CONSTRUCTION WORK-IN-PROGRESS	1,672,982	8,954,930	2,828,153	7,799,759
	<u>\$ 90,977,707</u>	<u>\$ 11,783,083</u>	<u>\$ 2,868,065</u>	<u>\$ 99,892,725</u>

Accumulated Depreciation/Amortization					Percent of Depreciation Amortization to Plant
Annual Depreciation Amortization Rates	Balance 12/31/2019	Provision	Retirements	Balance 12/31/2020	
%	\$ -	\$ -	\$ -	\$ -	0.0%
2 - 25	5,117,507	319,301	-	5,436,808	46.9%
2	30,914	-	-	30,914	100.0%
2 - 3	8,849,657	336,481	-	9,186,138	52.0%
2	792,957	33,056	-	826,013	50.0%
2	11,232,506	1,082,130	29,880	12,284,756	22.5%
3	954,130	104,480	10,032	1,048,578	46.4%
	12,979,593	1,219,666	39,912	14,159,347	
10	34,618	5,991	-	40,609	55.0%
12	877,722	107,481	-	985,203	65.1%
5	129,002	5,926	-	134,928	89.0%
10	282,750	36,618	-	319,368	74.6%
14	371,819	103,863	-	475,682	38.5%
	1,695,911	259,879	-	1,955,790	
	28,673,582	2,135,327	39,912	30,768,997	
	-	-	-	-	
	\$ 28,673,582	\$ 2,135,327	\$ 39,912	\$ 30,768,997	



Independent Auditor's 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

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

We have audited, 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, the financial statements of each major fund of Moorhead Public Service as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Moorhead Public Service's basic financial statements, and have issued our report thereon dated May 11, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 Moorhead Public Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
May 11, 2021



Report on *Minnesota Legal Compliance*

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of Moorhead Public Service, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Moorhead Public Service's basic financial statements, and have issued our report thereon dated May 11, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Moorhead Public Service failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Moorhead Public Service's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
May 11, 2021

MOORHEAD PUBLIC SERVICE
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2020

FINANCIAL STATEMENT FINDINGS

None reported.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None reported.