



**FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and 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, 2023, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Moorhead Public Service, as of December 31, 2023, and the respective changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Moorhead Public Service and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the business-type activities and 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, 2023, the changes in its financial position, and 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City/District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Moorhead Public Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Moorhead Public Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the identify required supplementary information as identified in the table of contents. RSI includes information, such as management's discussion and analysis, schedule of changes to total OPEB liability and related ratios, schedule of changes to total pension liability and related ratios and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the analysis of electric capital assets and accumulated depreciation/amortization and analysis of water capital assets and accumulated depreciation/amortization but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2024 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 of Moorhead Public Service's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 14, 2024, 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 "Eric Sully LLP". The signature is written in a cursive, flowing style.

Mankato, Minnesota
May 14, 2024

**MOORHEAD PUBLIC SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023. This information is presented in conjunction with the audited basic financial statements that follow this section.

In 2023, MPS continued to maintain strong reserve balances which helped temper minor financial gaps in revenue billings and collections and helped buffer the impact of inflationary pressure that ramped up during the first and second quarters of 2023. The presence of strong reserve balances also helped lessen the impact of inflationary pressures on the cost of materials that were also affected by ongoing supply chain issues. Both of these factors impacted the timely acquisition and cost of specialized electric and water division materials and supplies. Through the continued diligent oversight of its Commission, MPS continued to operate in an efficient and financially prudent manner.

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 \$8.7 million, or 6.6%, from \$133.7 million to \$142.4 million. The Electric Fund's net position increased \$6.9 million, or 9%, from \$76.5 million to \$83.4 million. The Water Fund's net position increased \$1.9 million, or 3.3%, from \$57.1 million to \$59 million.
- Combined operating revenues increased by \$1.5 million, or 2.8%, to \$56.8 million. Electric Fund operating revenues increased by \$680,000, or 1.4%, from \$44.1 million to \$44.8 million. Water Fund operating revenues increased \$850,000, or 7.7%, from \$11.1 million to \$12 million.
- Combined net transfers to the City of Moorhead increased \$202,000, or 2%, from \$10 million to \$10.2 million. Electric Fund transfers increased \$160,000, or 1.7%, from \$9.3 million to \$9.4 million. Water Fund transfers increased \$40,000, or 6.6%, from \$680,000 to \$720,000.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Required Supplementary Information 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.

MOORHEAD PUBLIC SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

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 2023, the Electric Fund's total assets increased by \$5.1 million, or 5.1%. Within total assets, current and other assets decreased by \$7.8 million, deferred outflows of resources decreased by \$300,000 and capital assets increased by \$13.1 million.

During 2023, the Electric Fund's liabilities decreased by \$1.8 million, or 7.9%. The decrease was result of a combination of valuation changes made by the state of Minnesota to record deferred pension inflows and payments on bonds and notes.

The net effect of the changes in total assets and total liabilities within the Electric Fund resulted in an increase of \$6.9 million, or 9%, which increased the net position from \$76.6 million to \$83.4 million.

During 2023, the Water Fund's total assets increased by \$200,000, or 0.2%. Within total assets, current and other assets increased by \$580,000 million, capital assets decreased by \$180,000 and deferred outflows decreased by \$200,000.

During 2023, the Water Fund's liabilities decreased by \$1.7 million, or 5.8%. The decrease was result of a combination of valuation changes made by the state of Minnesota to record deferred pension inflows and payments on bonds and notes.

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 \$1.9 million, or 3.3%, which increased the net position from \$57.1 million to \$59 million.

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

	Electric				Water				Combined			
	2023	2022	Dollar Change	Percent change	2023	2022	Dollar Change	Percent change	2023	2022	Dollar Change	Percent change
Current and Other Assets	38,123	45,903	(7,780)	-16.9%	14,325	13,742	583	4.2%	52,448	59,645	(7,197)	-12.1%
Deferred Outflows of Resources	670	963	(293)	-30.4%	447	642	(195)	-30.4%	1,117	1,605	(488)	-30.4%
Capital Assets ¹	65,114	51,957	13,157	25.3%	71,932	72,110	(178)	-0.2%	137,046	124,067	12,979	10.5%
Total Assets	103,907	98,823	5,084	5.1%	86,704	86,494	210	0.2%	190,611	185,317	5,294	2.9%
Long-term Debt ²	11,957	14,106	(2,149)	-15.2%	25,258	27,016	(1,758)	-6.5%	37,215	41,122	(3,907)	-9.5%
Other Liabilities	6,414	6,516	(102)	-1.6%	1,817	2,197	(380)	-17.3%	8,231	8,713	(482)	-5.5%
Deferred Inflows of Resources	2,135	1,653	482	29.2%	601	165	436	264.2%	2,736	1,818	918	50.5%
Total Liabilities	20,506	22,275	(1,769)	-7.9%	27,676	29,378	(1,702)	-5.8%	48,182	51,653	(3,471)	-6.7%
Net investment in capital assets	54,349	39,975	14,374	36.0%	47,151	46,186	965	2.1%	101,500	86,161	15,339	17.8%
Restricted	1,806	1,791	15	0.8%	556	556	0	0.0%	2,362	2,347	15	0.6%
Unrestricted	27,246	34,782	(7,536)	-21.7%	11,321	10,374	947	9.1%	38,567	45,156	(6,589)	-14.6%
Total Net Position	83,401	76,548	6,853	9.0%	59,028	57,116	1,912	3.3%	142,429	133,664	8,765	6.6%

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 \$59.9 million in 2023. Total revenues of the Electric and Water Funds were \$47.1 million and \$12.8 million, respectively. The Electric Fund 2023 total revenue increase of 5.5% over 2022 was due to an increase in revenue from sales of electricity combined with market gains and interest income on investments in 2023. The Water Fund 2023 total revenue increase of 11.6% over 2022 was due to an increase in revenue from sales of water combined with market gains and interest income on investments in 2023.

For 2023, MPS implemented overall rate increases of 2% and 3.5% for electric rates and water rates, respectively.

Combined total expenses including Transfers to the City were \$52 million in 2023. Within total expenses, operating expenses (net of depreciation) increased 6.4% to \$35 million and net transfers to the City of Moorhead increased 2% to \$10.2 million.

MPS' combined net position increased by \$8.8 million, or 6.6%. The increase was the result of a \$6.9 million increase in the net position of the Electric Fund and a \$1.9 million increase in the net position of the Water Fund. Combined total revenues of \$59.9 million exceeded combined total expenses of \$52 million by \$7.9 million.

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

	Electric				Water				Combined			
	2023	2022	Dollar Change	Percent change	2023	2022	Dollar Change	Percent change	2023	2022	Dollar Change	Percent change
Operating Revenues	44,797	44,120	677	1.5%	11,969	11,116	853	7.7%	56,766	55,236	1,530	2.8%
Nonoperating Revenues	2,293	497	1,796	361.4%	827	350	477	136.3%	3,120	847	2,273	268.4%
Total Revenue	47,090	44,617	2,473	5.5%	12,796	11,466	1,330	11.6%	59,886	56,083	3,803	6.8%
Operating Expense	27,586	26,505	1,081	4.1%	7,436	6,424	1,012	15.8%	35,022	32,929	2,093	6.4%
Nonoperating Expenses	351	2,414	(2,063)	-85.5%	568	858	(290)	-33.8%	919	3,272	(2,353)	-71.9%
Depreciation Expense	3,472	3,140	332	10.6%	2,405	2,436	(31)	-1.3%	5,877	5,576	301	5.4%
Transfers to City	9,445	9,286	159	1.7%	723	680	43	6.3%	10,168	9,966	202	2.0%
Total Expenses	40,854	41,345	(491)	-1.2%	11,132	10,398	734	7.1%	51,986	51,743	243	0.5%
Income Before Capital Contributions	6,236	3,272	2,964	90.6%	1,664	1,068	596	55.8%	7,900	4,340	3,560	82.0%
Capital Contributions	617	776	(159)	-20.5%	248	890	(642)	-72.1%	865	1,666	(801)	-48.1%
Changes in Net Position	6,853	4,048	2,805	69.3%	1,912	1,958	(46)	-2.3%	8,765	6,006	2,759	33.9%
Beginning Net Position	76,548	72,500	4,048	5.6%	57,116	55,158	1,958	3.5%	133,664	127,658	6,006	4.7%
Ending Net Position	83,401	76,548	6,853	9.0%	59,028	57,116	1,912	3.3%	142,429	133,664	8,765	6.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2023 were \$137 million compared to \$124 million at the end of 2022. Total capital assets increased \$13 million, or 10.5%. Net capital assets of the Electric Fund increased by \$13.2 million, or 25.3%. Net capital assets of the Water Fund decreased by \$180,000 or 0.2%.

After depreciation, the Electric Fund's net increase in capital assets included an increase in work-in-progress of \$13.4 million and an overall decrease of \$240 million in total electric plant in-service assets.

After depreciation, the Water Fund's net decrease in capital assets included an increase work-in-progress of \$190,000 and an overall decrease of \$370,000 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 12/31/2023	Balance 12/31/2022	Increase (Decrease)	Percent
Plant in Service				
Land	\$ 1,071,555	\$ 1,071,555	\$ -	0.0%
Miscellaneous Intangible Plant	362,973	466,317	(103,344)	-22.2%
Production Plant	4,414,829	4,649,246	(234,417)	-5.0%
Transmission Plant	8,025,091	8,467,254	(442,163)	-5.2%
Distribution Plant	27,376,474	26,882,528	493,946	1.8%
General Plant	6,771,254	6,728,142	43,112	0.6%
Total Electric Plant in Service	48,022,176	48,265,042	(242,866)	-0.5%
Work-in-Progress	17,091,495	3,691,782	13,399,713	363.0%
Total Electric Capital Assets	<u>\$ 65,113,671</u>	<u>\$ 51,956,824</u>	<u>\$ 13,156,847</u>	<u>25.3%</u>
Water Fund				
	Balance 12/31/2023	Balance 12/31/2022	Increase (Decrease)	Percent
Plant In Service				
Land	\$ 979,967	\$ 979,967	\$ -	0.0%
Source of Supply	5,303,252	5,578,208	(274,956)	-4.9%
Water Treatment Plant	14,389,254	14,905,248	(515,994)	-3.5%
Transmission & Distribution Plant	49,450,680	48,901,010	549,670	1.1%
General Plant	1,345,557	1,473,376	(127,819)	-8.7%
Total Water Plant in Service	71,468,710	71,837,809	(369,099)	-0.5%
Work-in-Progress	463,104	271,904	191,200	70.3%
Total Water Capital Assets	<u>\$ 71,931,814</u>	<u>\$ 72,109,713</u>	<u>\$ (177,899)</u>	<u>-0.2%</u>
Consolidated				
Total MPS Capital Assets	<u>\$ 137,045,485</u>	<u>\$ 124,066,537</u>	<u>\$ 12,978,948</u>	<u>10.5%</u>

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 for 2023 decreased by \$3.9 million to \$37.2 million, or 9.5%. The slight net increase resulted from the combination of payments toward various bonds and notes used for past Electric and Water Fund projects combined with a significant decrease in MPS' net pension liability. The Electric Fund's long-term debt increased by \$2.1 million, or 15.2%. The Water Fund's long-term debt decreased by \$1.8 million, or 6.5%. Additional information on long-term debt can be found in Note 4 in the Notes to Financial Statements.

MPS reported \$3.8 million as a net pension liability for the year ending December 31, 2023. This compares to \$5.2 million reported as of December 31, 2022. 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 12/31/2023	Balance 12/31/2022	Increase (Decrease)	Percent
OPEB Obligations	\$ 125,865	\$ 180,085	\$ (54,220)	-30.1%
Net Pension Liability	2,298,266	3,131,581	(833,315)	-26.6%
Public Utility Revenue & Refunding Bonds	10,765,158	11,981,536	(1,216,378)	-10.2%
Total Long-Term Debt	13,189,289	15,293,202	(2,103,913)	-13.8%
Less: Current Portion				
Public Utility Revenue & Refunding Bonds	1,232,200	1,187,650	44,550	3.8%
Total Current Portion of Long-Term Debt	1,232,200	1,187,650	44,550	3.8%
Net Long-Term Debt	\$ 11,957,089	\$ 14,105,552	\$ (2,148,463)	-15.2%
Water Fund				
	Balance 12/31/2023	Balance 12/31/2022	Increase (Decrease)	Percent
OPEB Obligations	\$ 83,909	\$ 120,056	\$ (36,147)	-30.1%
Net Pension Liability	1,532,177	2,087,720	(555,543)	-26.6%
Notes Payable	8,774,000	9,513,000	(739,000)	-7.8%
Public Utility Revenue & Refunding Bonds	16,007,973	16,411,997	(404,024)	-2.5%
Total Long-Term Debt	26,398,059	28,132,773	(1,734,714)	-6.2%
Less: Current Portion				
Notes Payable	747,000	739,000	8,000	1.1%
Public Utility Revenue & Refunding Bonds	392,800	377,350	15,450	4.1%
Total Current Portion of Long-Term Debt	1,139,800	1,116,350	23,450	2.1%
Net Long-Term Debt	\$ 25,258,259	\$ 27,016,423	\$ (1,758,164)	-6.5%
Consolidated				
Total MPS Net Long-Term Debt	\$ 37,215,348	\$ 41,121,975	\$ (3,906,627)	-9.5%

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' Finance Division Manager 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.

MOORHEAD PUBLIC SERVICE
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Electric	Water	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 8,078,920	\$ 3,980,481	\$ 12,059,401
Accounts receivable, net	2,250,864	585,708	2,836,572
Accounts receivable - unbilled revenues	2,704,967	673,660	3,378,627
Accrued interest receivable	149,457	58,122	207,579
Inventories	2,585,598	440,629	3,026,227
Prepaid items	74,005	36,248	110,253
Due from city funds	121,233	10,140	131,373
Due from other governmental units	371,183	-	371,183
	<u>16,336,227</u>	<u>5,784,988</u>	<u>22,121,215</u>
RESTRICTED ASSETS			
Revenue bond account	265,544	151,410	416,954
Bond reserve account	1,540,448	403,579	1,944,027
Unspent bond proceeds	-	914	914
	<u>1,805,992</u>	<u>555,903</u>	<u>2,361,895</u>
OTHER ASSETS			
Notes receivable	14,104	-	14,104
Bond operations and maintenance reserve	4,818,000	1,302,000	6,120,000
Other long-term investments	15,148,850	6,683,793	21,832,643
	<u>19,980,954</u>	<u>7,985,793</u>	<u>27,966,747</u>
CAPITAL ASSETS			
In-service	96,660,453	107,813,691	204,474,144
Land	1,071,555	979,967	2,051,522
Construction work-in-progress	17,091,495	463,104	17,554,599
	<u>114,823,503</u>	<u>109,256,762</u>	<u>224,080,265</u>
Less accumulated depreciation	49,709,832	37,324,948	87,034,780
	<u>65,113,671</u>	<u>71,931,814</u>	<u>137,045,485</u>
Total assets	<u>103,236,844</u>	<u>86,258,498</u>	<u>189,495,342</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	10,510	7,008	17,518
Pension Plans	659,588	439,724	1,099,312
	<u>670,098</u>	<u>446,732</u>	<u>1,116,830</u>
Total assets and deferred outflows	<u>\$ 103,906,942</u>	<u>\$ 86,705,230</u>	<u>\$ 190,612,172</u>

	Electric	Water	Total
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets			
Accounts payable	\$ 1,000,862	\$ 168,697	\$ 1,169,559
Power costs payable	1,655,413	-	1,655,413
Sales tax payable	170,246	-	170,246
Customer deposits	94,900	-	94,900
Compensated absences	368,770	245,847	614,617
Due to other funds	1,847,740	165,936	2,013,676
	<u>5,137,931</u>	<u>580,480</u>	<u>5,718,411</u>
Payable from restricted assets			
Accrued interest	44,120	97,497	141,617
Current maturities of notes	-	747,000	747,000
Current maturities of bonds payable	1,232,200	392,800	1,625,000
	<u>1,276,320</u>	<u>1,237,297</u>	<u>2,513,617</u>
LONG-TERM DEBT			
OPEB obligation	125,865	83,909	209,774
Net pension liability	2,298,266	1,532,177	3,830,443
Notes payable, less current maturities	-	8,027,000	8,027,000
Bonds payable, less current maturities	9,346,500	15,393,500	24,740,000
Premium on bonds payable	186,458	405,687	592,145
Discount on bonds payable	-	(184,014)	(184,014)
	<u>11,957,089</u>	<u>25,258,259</u>	<u>37,215,348</u>
Total liabilities	<u>18,371,340</u>	<u>27,076,036</u>	<u>45,447,376</u>
DEFERRED INFLOWS OF RESOURCES AND OTHER CREDITS			
OPEB	99,579	66,386	165,965
Pension plans	801,991	534,661	1,336,652
Other Deferred Credits	1,233,484	-	1,233,484
	<u>2,135,054</u>	<u>601,047</u>	<u>2,736,101</u>
Total liabilities and deferred inflows	<u>20,506,394</u>	<u>27,677,083</u>	<u>48,183,477</u>
NET POSITION			
NET POSITION			
Net investment in capital assets	54,348,513	47,150,755	101,499,268
Restricted for:			
Debt service	1,805,992	555,903	2,361,895
Unrestricted	27,246,043	11,321,489	38,567,532
	<u>83,400,548</u>	<u>59,028,147</u>	<u>142,428,695</u>
Total net position	<u>83,400,548</u>	<u>59,028,147</u>	<u>142,428,695</u>
Total liabilities and net position	<u>\$ 103,906,942</u>	<u>\$ 86,705,230</u>	<u>\$ 190,612,172</u>

MOORHEAD PUBLIC SERVICE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

	Electric	Water	Total
OPERATING REVENUES			
Charges for services	\$ 41,753,201	\$ 11,896,957	\$ 53,650,158
Other	3,044,272	72,422	3,116,694
Total operating revenues	<u>44,797,473</u>	<u>11,969,379</u>	<u>56,766,852</u>
OPERATING EXPENSES			
Purchased power	18,536,940	-	18,536,940
Production of power	209,367	-	209,367
Transmission	2,154,403	-	2,154,403
Distribution	2,868,212	1,313,040	4,181,252
Source of supply and pumping	-	439,879	439,879
Water treatment	-	3,768,352	3,768,352
Customer accounts	792,512	357,270	1,149,782
Administrative	3,024,980	1,557,514	4,582,494
Depreciation and amortization	3,472,291	2,404,648	5,876,939
Total operating expenses	<u>31,058,705</u>	<u>9,840,703</u>	<u>40,899,408</u>
OPERATING INCOME	13,738,768	2,128,676	15,867,444
NONOPERATING REVENUES (EXPENSES)			
Interest income and market adjustments	1,764,889	479,246	2,244,135
Gain on sale/disposal of capital assets	77,547	41,373	118,920
Other income	450,134	307,008	757,142
Interest expense	(351,062)	(568,136)	(919,198)
Total nonoperating revenues (expenses)	<u>1,941,508</u>	<u>259,491</u>	<u>2,200,999</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	15,680,276	2,388,167	18,068,443
TRANSFERS OUT TO OTHER FUNDS			
City general fund	(7,350,000)	(597,242)	(7,947,242)
City economic development fund	(50,000)	-	(50,000)
City capital improvement fund	(2,044,851)	(126,000)	(2,170,851)
Total transfers out	<u>(9,444,851)</u>	<u>(723,242)</u>	<u>(10,168,093)</u>
CONTRIBUTION OF CAPITAL ASSETS	<u>617,313</u>	<u>247,602</u>	<u>864,915</u>
CHANGE IN NET POSITION	6,852,738	1,912,527	8,765,265
NET POSITION, BEGINNING OF YEAR	<u>76,547,810</u>	<u>57,115,620</u>	<u>133,663,430</u>
NET POSITION, END OF YEAR	<u>\$ 83,400,548</u>	<u>\$ 59,028,147</u>	<u>\$ 142,428,695</u>

MOORHEAD PUBLIC SERVICE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	Electric	Water	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 46,222,835	\$ 12,522,320	\$ 58,745,155
Payments to suppliers	(25,357,944)	(6,219,928)	(31,577,872)
Payments to employees	(3,005,210)	(1,543,667)	(4,548,877)
NET CASH FROM OPERATING ACTIVITIES	17,859,681	4,758,725	22,618,406
NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(9,444,851)	(723,242)	(10,168,093)
Payments received on notes and special receivables	7,549	-	7,549
(Increase) decrease in due from other funds	1,728	(456)	1,272
Increase (decrease) in due to other funds	76,656	(49,003)	27,653
Increase in net OPEB liability and related deferred inflows and outflows of resources	(7,835)	(5,225)	(13,060)
Increase in net pension liability and related deferred inflows and outflows of resources	66,968	44,646	111,614
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(9,299,785)	(733,280)	(10,033,065)
INVESTING ACTIVITIES			
Interest received and market adjustments	1,746,575	453,910	2,200,485
Purchase of investments	(15,201)	(512,081)	(527,282)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	8,355,116	(57,599)	8,297,517
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(16,629,138)	(2,226,749)	(18,855,887)
Proceeds related to sale of assets	77,547	41,373	118,920
Debt service - principal	(1,187,650)	(1,116,350)	(2,304,000)
Debt service - interest and fees	(385,814)	(598,346)	(984,160)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(18,125,055)	(3,900,072)	(22,025,127)
NET CHANGE IN CASH BALANCE	(1,210,043)	67,774	(1,142,269)
CASH BALANCE, JANUARY 1	9,288,963	3,912,707	13,201,670
CASH BALANCE, DECEMBER 31	\$ 8,078,920	\$ 3,980,481	\$ 12,059,401

	Electric	Water	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 13,738,768	\$ 2,128,676	\$ 15,867,444
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization	3,472,291	2,404,648	5,876,939
Other income	450,134	307,008	757,142
Loss related to sale of assets	-	-	-
Increase (decrease) in other deferred credits	(172,114)	-	(172,114)
Customer contributions to capital assets	617,313	247,602	864,915
Change in assets and liabilities			
Receivables	224,612	(1,669)	222,943
Inventories	(455,523)	(23,341)	(478,864)
Prepaid items	67,439	46,273	113,712
Due from others	133,303	-	133,303
Accounts payable	(236,312)	(364,319)	(600,631)
Compensated Absences	19,770	13,847	33,617
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 17,859,681</u>	<u>\$ 4,758,725</u>	<u>\$ 22,618,406</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Moorhead Public Service, which is governed by the six appointed member 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 blended 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 and 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. In 2023, customers were charged a one-time 1% fee for late payments.

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 2023, the allowances for uncollectible accounts were \$5,130 for electric fund receivables and \$2,170 for water fund receivables.

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

NOTES TO FINANCIAL STATEMENTS

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 up to 70% of their accrued sick pay, up to a maximum of 910 hours, if they terminate employment for one of these four conditions: retirement, disability, survivor, or honorable conditions (at least 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.

NOTES TO FINANCIAL STATEMENTS

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, 2023, 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, 2023, 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	\$ 1,874,248	\$ -	\$ 1,874,248	\$ -	\$ -	\$ -
Money Market Funds	487,647	487,647	-	-	-	-
Total Restricted Investments	\$ 2,361,895	\$ 487,647	\$ 1,874,248	\$ -	\$ -	\$ -
Unrestricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	\$ 27,952,643	\$ -	\$ 3,609,961	\$ 18,923,263	\$ 5,382,321	\$ 37,098
Money Market Funds	-	-	-	-	-	-
Total Unrestricted Investments	\$ 27,952,643	\$ -	\$ 3,609,961	\$ 18,923,263	\$ 5,382,321	\$ 37,098

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, 2023, all of Moorhead Public Service's investments are valued using quoted market prices (Level 1 inputs).

NOTES TO FINANCIAL STATEMENTS

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, 2023, Moorhead Public Service was in compliance with all bond resolutions.

NOTES TO FINANCIAL STATEMENTS

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	3,691,782	16,629,138	3,229,425	17,091,495
	<u>4,763,337</u>	<u>16,629,138</u>	<u>3,229,425</u>	<u>18,163,050</u>
Capital assets, being depreciated:				
Miscellaneous intangible plant	1,288,813	-	-	1,288,813
Production plant	8,678,475	-	-	8,678,475
Transmission plant	17,269,905	-	-	17,269,905
Distribution plant	52,031,888	2,445,195	254,324	54,222,759
General plant	14,546,717	784,230	130,446	15,200,501
	<u>93,815,798</u>	<u>3,229,425</u>	<u>384,770</u>	<u>96,660,453</u>
Less accumulated depreciation for:				
Miscellaneous intangible plant	822,496	103,344	-	925,840
Production plant	4,029,229	234,417	-	4,263,646
Transmission plant	8,802,651	442,163	-	9,244,814
Distribution plant	25,149,360	1,951,249	254,324	26,846,285
General plant	7,818,575	741,118	130,446	8,429,247
	<u>46,622,311</u>	<u>3,472,291</u>	<u>384,770</u>	<u>49,709,832</u>
Total capital assets, being depreciated, net	<u>47,193,487</u>	<u>(242,866)</u>	<u>-</u>	<u>46,950,621</u>
Capital assets, net	<u>\$ 51,956,824</u>	<u>\$ 16,386,272</u>	<u>\$ 3,229,425</u>	<u>\$ 65,113,671</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	271,904	2,226,749	2,035,549	463,104
	<u>1,251,871</u>	<u>2,226,749</u>	<u>2,035,549</u>	<u>1,443,071</u>
Capital assets, being depreciated:				
Source of supply plant structure and improvements	11,661,277	-	-	11,661,277
Pumping plant	30,914	-	-	30,914
Water treatment plant	24,977,357	-	-	24,977,357
Transmission and distribution plant	65,543,526	1,913,669	42,486	67,414,709
General plant	3,684,768	121,880	77,214	3,729,434
	<u>105,897,842</u>	<u>2,035,549</u>	<u>119,700</u>	<u>107,813,691</u>
Less accumulated depreciation for:				
Source of supply plant structure and improvements	6,083,069	274,956	-	6,358,025
Pumping plant	30,914	-	-	30,914
Water treatment plant	10,072,109	515,994	-	10,588,103
Transmission and distribution plant	16,642,516	1,363,999	42,486	17,964,029
General plant	2,211,392	249,699	77,214	2,383,877
	<u>35,040,000</u>	<u>2,404,648</u>	<u>119,700</u>	<u>37,324,948</u>
Total capital assets, being depreciated, net	<u>70,857,842</u>	<u>(369,099)</u>	<u>-</u>	<u>70,488,743</u>
Capital assets, net	<u>\$ 72,109,713</u>	<u>\$ 1,857,650</u>	<u>\$ 2,035,549</u>	<u>\$ 71,931,814</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in debt for Moorhead Public Service as of December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Long-Term After One Year	Due Within One Year
Compensated Absences	\$ 581,000	\$ 33,617*	\$ -	\$ 614,617	\$ -	\$ 614,617
Notes Payable	9,513,000	-	739,000	8,774,000	8,027,000	747,000
Public Utility Revenue & Refunding Bonds						
Series 2007A	2,325,000	-	470,000	1,855,000	1,360,000	495,000
Series 2009A	255,000	-	125,000	130,000	-	130,000
Series 2012E	1,750,000	-	330,000	1,420,000	1,080,000	340,000
Series 2016A	9,740,000	-	575,000	9,165,000	8,570,000	595,000
Series 2020A	13,860,000	-	65,000	13,795,000	13,730,000	65,000
Less unamortized discount	(194,946)	-	(10,932)	(184,014)	(173,082)	(10,932)
Plus unamortized premium	658,479	-	66,334	592,145	528,953	63,192
	<u>\$ 38,487,533</u>	<u>\$ 33,617</u>	<u>\$ 2,359,402</u>	<u>\$ 36,161,748</u>	<u>\$ 33,122,871</u>	<u>\$ 3,038,877</u>

* Current year additions and reductions netted for reporting purposes.

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, 2023:

	Interest Rates	Water
Minnesota Public Facilities Authority		
Drinking Water SRF Bond Fund Loan		
MPFA-09-0036-R-FY15	1.02%	\$ 7,222,000
MPFA-DWRF-L-0006-FY16	1.00%	1,552,000
		<u>8,774,000</u>
Less current maturities		<u>(747,000)</u>
		<u>\$ 8,027,000</u>

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

	Water	
	Principal	Interest
2024	\$ 747,000	\$ 89,184
2025	754,000	81,590
2026	762,000	73,924
2027	770,000	66,176
2028	777,000	58,348
2029-2033	4,005,000	171,642
2034-2038	959,000	11,078
	<u>\$ 8,774,000</u>	<u>\$ 551,942</u>

Revenue & Refunding Bonds

The following is a summary of bonds payable for the year ended December 31, 2023:

	Interest Rates	Electric	Water	Total
Public Utility Revenue & Refunding Bonds				
Series 2007A	5.17%	\$ 871,850	\$ 983,150	\$ 1,855,000
Series 2009A	3.0% - 4.75%	130,000	-	130,000
Series 2012E	2.0% - 3.0%	1,420,000	-	1,420,000
Series 2016A	2.0% - 4.0%	8,156,850	1,008,150	9,165,000
Series 2020A	2.0% - 5.0%	-	13,795,000	13,795,000
		10,578,700	15,786,300	26,365,000
Less current maturities		(1,232,200)	(392,800)	(1,625,000)
Net bonds payable, less current maturities		9,346,500	15,393,500	24,740,000
Plus unamortized discount or premium		186,458	221,673	408,131
		<u>\$ 9,532,958</u>	<u>\$ 15,615,173</u>	<u>\$ 25,148,131</u>

As of December 31, 2023, Moorhead Public Service was 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.

NOTES TO FINANCIAL STATEMENTS

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
2024	\$ 1,232,200	\$ 308,248	\$ 392,800	\$ 456,104
2025	1,146,200	258,673	413,800	436,681
2026	1,192,550	213,427	472,450	416,162
2027	1,093,700	176,740	536,300	392,998
2028	596,300	149,459	558,700	371,047
2029-2033	3,195,100	536,508	3,149,900	1,491,885
2034-2038	2,122,650	117,726	6,862,350	976,475
2039-2040	-	-	3,400,000	128,000
	<u>\$ 10,578,700</u>	<u>\$ 1,760,781</u>	<u>\$ 15,786,300</u>	<u>\$ 4,669,352</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, 2023, are as follows:

	Purpose	Pledged Revenue Source	Approximate	Final Maturity Date	Issue Amount	Principal and	Net Revenues	Total Principal
			Amount of Revenue Pledged			Interest Paid Current Year		and Interest Remaining
Business-type activities								
Revenue Bonds and Notes								
Series 2007A	System Construction	Utility Revenues	7%	2027	\$ 7,245,000	\$ 587,028	\$ 8,765,265	\$ 2,064,185
Series 2009A	System Construction	Utility Revenues	2%	2024	7,530,000	136,956	8,765,265	136,174
Series 2012E	System Construction	Utility Revenues	4%	2027	4,570,000	382,500	8,765,265	1,528,000
Series 2016A	System Construction	Utility Revenues	10%	2036	12,730,000	840,631	8,765,265	10,904,649
Series 2020A	System Construction	Water Revenues	23%	2040	13,985,000	448,575	1,912,527	18,162,125

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. Medical coverage is administered by separate providers for each union. 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 \$841 for single and \$1,734 for Employee plus Spouse 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, 2023, used for actual valuation reporting for the fiscal years ending December 31, 2023 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	57
Total	<u>59</u>

D. Total OPEB Liability

Moorhead Public Service’s total OPEB liability of \$209,774 for December 31, 2023 was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

E. Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation used for reporting OPEB obligations as of December 31, 2023 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	Per service graded table	
Discount Rate	4.00%	
Healthcare cost trend rates	6.50% decreasing to 5.00% over 6 years and then to 4.00% over next 48 years	
Retiree Plan Participation	Future Retirees Electing Coverage	
	Pre-65 subsidy available	N/A
	Pre-65 subsidy not available	40%

NOTES TO FINANCIAL STATEMENTS

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 Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2023 valuation for the year ending December 31, 2023 were based on the results of an actuarial experience study as of January 1, 2023.

F. Changes in the Total OPEB Liability

Balance at December 31, 2022	\$ 300,141
Changes from the Prior Year:	
Service Cost	21,554
Interest Cost	6,119
Assumption Changes	(33,467)
Differences between Expected and Actual Experience	(52,915)
Benefit Payments	(31,658)
Balance at December 31, 2023	<u>\$ 209,774</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:

	1% Decrease in <u>Discount Rate</u>	<u>Discount Rate</u>	1% Increase in <u>Discount Rate</u>
Total OPEB Liability	\$ 228,947	\$ 209,774	\$ 191,938
Discount Rate	3.00%	4.00%	5.00%

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	\$ 182,425	\$ 209,774	\$ 242,716
Healthcare Trend Rate	5.50%, grading to 4.00% over 6 years and then to 3.00% over the next 48 years	6.50%, grading to 5.00% over 6 years and then to 4.00% over the next 48 years	7.50%, grading to 6.00% over 6 years and then to 5.00% over the next 48 years

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

For the year ended December 31, 2023, Moorhead Public Service recognized OPEB expense of \$5,942. At December 31, 2023, Moorhead Public Service had \$17,518 in deferred outflows of resources related to OPEB and \$165,965 in deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Losses	\$ -	\$ -
Liability Gains	-	119,342
Assumption Changes	10,400	46,623
Investment Gains	-	N/A
Investment Losses	N/A	-
Contributions Subsequent to Measurement Date	7,118	-
Total	<u>\$ 17,518</u>	<u>\$ 165,965</u>

Future Recognition of Deferred Flows in OPEB Expense

a. December 31, 2024	(33,615)
b. December 31, 2025	(33,615)
c. December 31, 2026	(33,613)
d. December 31, 2027	(22,335)
e. December 31, 2028	(10,799)
e. December 31, 2029	(10,799)
f. Thereafter	(10,789)

NOTES TO FINANCIAL STATEMENTS

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, 2023, is as follows:

Payable	Amount
Electric Fund - Due to City of Moorhead's General, Capital Improvement, Economic Development, Sanitation, and Wastewater Funds	\$ 1,847,740
Water Fund - Due to City of Moorhead General Fund	\$ 165,936

Receivable	Amount
Electric Fund - Due from City of Moorhead General Fund	\$ 121,233
Water Fund - Due from City of Moorhead General Fund	\$ 10,140

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 2023, the Electric Fund transferred the base transfer of \$7,350,000 to the General Fund, \$2,044,851 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 2023, the Water Fund transferred \$597,242, or 5%, 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		2023
City General Fund	\$	7,350,000
City Capital Improvement Fund		2,044,851
City Economic Development Fund		50,000
Total	\$	<u>9,444,851</u>

Appropriation Transfers - Water Fund		2023
City General Fund	\$	597,242
City Capital Improvement Fund		126,000
Total	\$	<u>723,242</u>

NOTE 8 - PENSION PLAN

Summary of Significant Accounting Policies - 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. 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.

A. Plan Description

Moorhead Public Service (MPS) participates in the General Employees Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan 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 MPS 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. 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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

NOTES TO FINANCIAL STATEMENTS

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 2023 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, 2023, were \$ 429,249. MPS’s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2023, MPS reported a liability of \$3,830,443 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 \$105,610.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. MPS’s proportionate share was 0.0685 percent at the end of the measurement period and 0.0659 percent for the beginning of the period.

MPS’ proportionate share of the net pension liability	\$ 3,830,443
State of Minnesota’s proportionate share of the net pension liability associated with MPS	105,610
Total	<u>\$ 3,936,053</u>

For the year ended December 31, 2023, MPS recognized pension expense of \$152,366 for its proportionate share of the General Employees Plan’s pension expense. In addition, MPS recognized an additional \$475 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, 2023, 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	\$ 124,646	\$ 25,578
Changes in actuarial assumptions	600,904	1,049,892
Net collective difference between projected and actual investment earnings	-	150,082
Changes in proportion	154,441	111,100
Contributions paid to PERA subsequent to the measurement date	219,321	-
Total	<u>\$ 1,099,312</u>	<u>\$ 1,336,652</u>

The \$219,231 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2024	\$ 30,572
2025	(526,428)
2026	122,290
2027	(83,095)

E. Long-Term Expected Return on Investment

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	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, Police and Fire Plan, and the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 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, Police and Fire and Correctional Plans were 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.

H. Pension Liability Sensitivity

The following presents MPS'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 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	6.00%	7.00%	8.00%
Moorhead Public Service's proportionate share of GERF net pension liability	\$ 6,766,362	\$ 3,830,443	\$ 1,407,313

I. 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.

NOTES TO FINANCIAL STATEMENTS

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.

Other Contracted Obligations

At year-end 2023, MPS was in the process of construction of two major projects that were started in 2022 and projected to take three to four years to complete. The projects were initiated by the Southwest Power Pool (SPP); of which MPS is a member, via Notice to Construct (NTC) letters to Missouri River Energy Services (MRES) who in turn passed them to MPS.

The first project is to install new electric shunt reactors as part of upgrades at a substation jointly operated in Moorhead by MPS and the Western Area Power Administration (WAPA). The second project within the same substation will be to reconfigure the substation to accommodate the shunt reactors as well as upgrades to update the substation to meet increasing needs. The estimated combined cost of these projects was projected in 2021 to be roughly \$20 to \$24 million. Based on revised project costs determined in 2023, MPS issued Public Utility Revenue Bonds, Series 2024A in February 2024 for \$27.8 million to fund the projects.

In December 2023 the MPS Commission approved a contract with WESCO to oversee a project to upgrade MPS' existing metering system for both water and electric services from Automated Meter Reading (AMR) to Advanced Metering Infrastructure (AMI). The AMI conversion project is expected to begin in mid-2024 and carry forward through at least 2026 at an estimated a cost of \$13.5 million.

REQUIRED SUPPLEMENTARY INFORMATION

MOORHEAD PUBLIC SERVICE
SCHEDULE OF CHANGES TO TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022

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

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Service cost	21,554	30,327	29,444	33,344	27,943	31,306
Interest Cost	6,119	6,235	11,700	14,341	15,515	15,851
Changes in assumptions	(33,467)	0	(26,325)	20,804	(6,128)	0
Differences between Expected and Actual Experience	(52,915)	0	(72,618)	0	(84,126)	0
Benefit payments	(31,658)	(35,492)	(34,020)	(42,921)	(59,686)	(48,391)
Net change in total OPEB liability	(90,367)	1,070	(91,819)	25,568	(106,482)	(1,234)
Total OPEB Liability - beginning	300,141	299,071	390,890	365,322	471,804	473,038
Total OPEB Liability - ending	209,774	300,141	299,071	390,890	365,322	471,804
Covered employee payroll	5,131,594	4,674,070	4,537,932	4,638,093	4,503,003	4,375,925
Total OPEB liability as a percentage of covered employee payroll	4.0%	6.0%	7.0%	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.

2023 Changes

Benefit Changes

- For the year ending December 31, 2023: None.

Assumption Changes

- For the fiscal year ending December 31, 2023:
 - The health care trend rates were changed to better anticipate short-term and long-term medical increases.
 - The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
 - The inflation rate was changed from 2.00% to 2.50%.
 - The discount rate was changed from 2.00% to 4.00%.

2022 Changes

Benefit Changes

- For the year ending December 31, 2022: None.

Assumption Changes

- For the fiscal year ending December 31, 2022: None.

2021 Changes

Benefit Changes

- For the year ending December 31, 2021: None.

Assumption Changes

- For the fiscal year ending December 31, 2021:
 - The health care trend rates, retirement and withdrawal rates, mortality tables, and salary increase rates were updated.
 - The inflation rate was changed from 2.50% to 2.00%.
 - The discount rate was changed from 2.90% to 2.00%.

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	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Proportionate Share (Amount) of the State's Net Pension Liability Associated With MPS (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
GERF	6/30/2023	0.0685%	\$ 3,830,443	\$ 105,610	\$ 3,936,053	\$ 5,723,329	145.4%	83.1%
GERF	6/30/2022	0.0659%	5,219,302	152,942	5,372,244	5,173,015	96.3%	76.7%
GERF	6/30/2021	0.0664%	2,835,577	86,558	2,922,135	5,009,349	171.4%	79.6%
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

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality 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.
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- 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.

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	12/31/2023	\$ 408,577	\$ 408,577	\$ -	\$ 5,447,693	7.5%
GERF	12/31/2022	370,291	370,291	-	4,937,213	7.5%
GERF	12/31/2021	358,277	358,277	-	4,777,027	7.5%
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

MOORHEAD PUBLIC SERVICE
ANALYSIS OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION/AMORTIZATION
YEAR ENDED DECEMBER 31, 2023

Electric Capital Assets				
	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023
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	17,269,905	-	-	17,269,905
Distribution plant				
Station equipment	10,478,010	-	-	10,478,010
Poles, towers, and fixtures	2,443,929	-	18,477	2,425,452
Underground conduit	25,239,890	1,342,969	124,653	26,458,206
Line transformers	7,412,066	951,510	72,864	8,290,712
Services	1,906,102	-	-	1,906,102
Meters	2,626,031	69,392	38,330	2,657,093
Installations on customer premises	220,642	-	-	220,642
Street lighting and signal systems	1,705,218	81,324	-	1,786,542
	52,031,888	2,445,195	254,324	54,222,759
General plant				
Structures and Improvements	4,176,468	193,313	-	4,369,781
Office furniture and equipment	2,417,393	297,656	-	2,715,049
Transportation equipment	3,564,432	251,357	130,446	3,685,343
Stores equipment	3,681	-	-	3,681
Tools, shop, and garage equipment	329,622	-	-	329,622
Communication equipment	4,055,121	41,904	-	4,097,025
	14,546,717	784,230	130,446	15,200,501
Total electric plant in service	94,887,353	3,229,425	384,770	97,732,008
CONSTRUCTION WORK-IN-PROGRESS	3,691,782	16,629,138	3,229,425	17,091,495
	98,579,135	\$ 19,858,563	\$ 3,614,195	\$ 114,823,503

Accumulated Depreciation/Amortization					
Annual Depreciation Amortization Rates	Balance 12/31/2022	Provision	Retirements	Balance 12/31/2023	Percent of Depreciation Amortization to Plant
10.0 - 12.5 %	\$ 822,496	\$ 103,344	\$ -	\$ 925,840	71.84%
	-	-	-	-	-
2	2,957,676	190,470	-	3,148,146	44.10%
3	221,092	-	-	221,092	100.00%
3	850,461	43,947	-	894,408	67.79%
	4,029,229	234,417	-	4,263,646	
	-	-	-	-	-
3	8,802,651	442,163	-	9,244,814	53.53%
2	5,810,814	305,540	-	6,116,354	58.37%
3	2,215,089	12,454	18,477	2,209,066	91.08%
2	10,587,036	1,243,506	124,653	11,705,889	44.24%
3	2,985,936	234,570	72,864	3,147,642	37.97%
3	1,406,385	25,882	-	1,432,267	75.14%
4	1,010,734	94,811	38,330	1,067,215	40.16%
4	118,287	4,593	-	122,880	55.69%
3	1,015,079	29,893	-	1,044,972	58.49%
	25,149,360	1,951,249	254,324	26,846,285	
10	1,331,891	95,554	-	1,427,445	32.67%
10	1,340,005	218,816	-	1,558,821	57.41%
5 - 25	1,633,671	225,039	130,446	1,728,264	46.90%
10	3,681	-	-	3,681	100.00%
10	314,486	3,390	-	317,876	96.44%
6	3,194,841	198,319	-	3,393,160	82.82%
	7,818,575	741,118	130,446	8,429,247	
	46,622,311	3,472,291	384,770	49,709,832	
	-	-	-	-	
	\$ 46,622,311	\$ 3,472,291	\$ 384,770	\$ 49,709,832	

MOORHEAD PUBLIC SERVICE
ANALYSIS OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION/AMORTIZATION
YEAR ENDED DECEMBER 31, 2023

Water Capital Assets				
	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023
PLANT IN SERVICE				
Land	\$ 979,967	\$ -	\$ -	\$ 979,967
Source of supply plant structures and improvements	11,661,277	-	-	11,661,277
Pumping plant	30,914	-	-	30,914
Water treatment plant	24,977,357	-	-	24,977,357
Transmission and distribution plant				
Towers	5,735,529	-	-	5,735,529
Mains	57,412,744	1,820,387	28,421	59,204,710
Meters	2,395,253	93,282	14,065	2,474,470
	65,543,526	1,913,669	42,486	67,414,709
General plant				
Office furniture and equipment	90,129	-	-	90,129
Transportation equipment	1,658,891	96,449	77,214	1,678,126
Tools, shop, and garage equipment	151,540	-	-	151,540
Laboratory equipment	479,273	6,884	-	486,157
SCADA equipment	1,304,935	18,547	-	1,323,482
	3,684,768	121,880	77,214	3,729,434
Total water plant in service	106,877,809	2,035,549	119,700	108,793,658
CONSTRUCTION WORK-IN-PROGRESS	271,904	2,226,749	2,035,549	463,104
	<u>\$ 107,149,713</u>	<u>\$ 4,262,298</u>	<u>\$ 2,155,249</u>	<u>\$ 109,256,762</u>

Accumulated Depreciation/Amortization					Percent of Depreciation Amortization to Plant	
Annual Depreciation Amortization Rates	Balance 12/31/2022	Provision	Retirements	Balance 12/31/2023		
	%	\$ -	\$ -	\$ -	\$ -	0.0%
2 - 25		6,083,069	274,956	-	6,358,025	54.5%
2		30,914	-	-	30,914	100.0%
2 - 3		10,072,109	515,994	-	10,588,103	42.4%
2		973,779	114,711	-	1,088,490	19.0%
2		14,524,942	1,184,858	28,421	15,681,379	26.5%
3		1,143,795	64,430	14,065	1,194,160	48.3%
		16,642,516	1,363,999	42,486	17,964,029	
10		54,226	7,626	-	61,852	68.6%
12		938,272	112,798	77,214	973,856	58.0%
5		144,710	1,490	-	146,200	96.5%
10		387,279	20,317	-	407,596	83.8%
14		686,905	107,468	-	794,373	60.0%
		2,211,392	249,699	77,214	2,383,877	
		35,040,000	2,404,648	119,700	37,324,948	
		-	-	-	-	
		\$ 35,040,000	\$ 2,404,648	\$ 119,700	\$ 37,324,948	



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 (*Government Auditing Standards*), the financial statements of the business-type activities and each major fund of Moorhead Public Service as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Moorhead Public Service's basic financial statements and have issued our report thereon dated May 14, 2024.

Report on 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

Report on 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*.

Moorhead Public Service's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Moorhead Public Service's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Moorhead Public Service's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Mankato, Minnesota
May 14, 2024



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 the business-type activities and each major fund of Moorhead Public Service, Minnesota, as of and for the year ended December 31, 2023, 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 14, 2024.

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".

Mankato, Minnesota
May 14, 2024

MOORHEAD PUBLIC SERVICE
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2023

FINANCIAL STATEMENT FINDINGS

**2023-001 Improper Retention of Employee Personnel Forms
Material Weakness**

Criteria – A good system of internal control contemplates an adequate system for ensuring all required documentation is completed accurately and retained.

Condition – During the course of our engagement, we noted employee personnel forms that were incomplete or missing.

Cause – The District does not have an internal control system designed to properly complete and retain all required documentation.

Effect – This deficiency could result in improper reporting of employee information.

Recommendation – Management should make an effort to ensure all employee personnel forms are completed properly and retained appropriately.

Views of Responsible Officials – There is no disagreement with the audit finding.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None reported.