



**FINANCIAL STATEMENTS  
DECEMBER 31, 2021**



## MOORHEAD PUBLIC SERVICE

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## INDEPENDENT AUDITOR'S REPORT

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## 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 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, 2021, 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 each major fund of Moorhead Public Service, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. 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 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, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

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 Moorhead Public Service'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 Responsibility 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 opinions. 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 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the 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 3, 2022, on our consideration of Moorhead Public Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moorhead Public Service's internal control over financial reporting and compliance.



## Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 3, 2022, on our consideration of Moorhead Public Service's compliance with aspects of the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's *Minnesota Legal Compliance Audit Guide for Political Subdivisions* in considering Moorhead Public Service's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

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

Fargo, North Dakota  
May 3, 2022

**MOORHEAD PUBLIC SERVICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

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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, 2021. This information is presented in conjunction with the audited basic financial statements that follow this section.

With the onset of the COVID-19 Pandemic in March 2020, MPS anticipated potential revenue shortfalls during the 2021 financial year. Throughout the year, MPS continued to provide electric utility and water utility services to its citizens and the Moorhead business community. In addition, MPS continued to maintain strong reserve balances which helped bridge financial gaps in revenue billings and collections. This ongoing global pandemic created unprecedented challenges for Federal, State and Local Government operations. Through 2021, 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 present the highlights of each fund separately, and in combined form.

**FINANCIAL HIGHLIGHTS FOR THE YEAR**

- MPS' combined net position increased \$8.5 million, or 7.1%, from \$119.2 million to \$127.7 million. The Electric Fund's net position increased \$4.9 million, or 7.3%, from \$67.6 million to \$72.5 million. The Water Fund's net position increased \$3.6 million, or 6.9%, from \$51.6 million to \$55.2 million.
- Combined operating revenues increased by \$1.8 million, or 3.4%, to \$54.4 million. Electric Fund operating revenues increased by \$639,000, or 1.5%, from \$42.7 million to \$43.3 million. Water Fund operating revenues increased \$1.2 million, or 11.7%, from \$9.9 million to \$11.1 million.
- Combined net transfers to the City of Moorhead increased \$202,000, or 2.1%, from \$9.6 million to \$9.8 million. Net Electric Fund transfers increased \$144,000, or 1.6%, from \$9.0 million to \$9.1 million. Water Fund transfers increased by \$58,000, or 9.3%, from \$622,000 to \$680,000.

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## 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, 2021**

**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 2021, the Electric Fund's total assets increased by \$6.5 million, or 7.3%. Within total assets, current and other assets increased by \$5.8 million while capital assets decreased by \$307,000.

During 2021, the Electric Fund's liabilities increased by \$1.6 million, or 7.4%. The increase was primarily the result of valuation changes made by the state of Minnesota to record deferred pension inflows.

The net effect of the changes in total assets and total liabilities within the Electric Fund resulted in an increase of \$4.9 million, or 7.3%, which increased the net position from \$67.6 million to \$72.5 million.

During 2021, the Water Fund's total assets increased \$2.0 million, or 2.4%. Within total assets, current and other assets decreased by \$1.9 million while capital assets increased by \$3.2 million.

During 2021, the Water Fund's liabilities decreased by \$1.5 million, or 4.8%. The decrease was primarily due to payments made to pay down debt accumulated over the past few years for major construction projects.

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 \$3.6 million, or 6.9%, which increased the net position from \$51.6 million to \$55.2 million.

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

	Electric				Water				Combined			
	2021	2020	Dollar Change	Percent change	2021	2020	Dollar Change	Percent change	2021	2020	Dollar Change	Percent change
Current and Other Assets	44,588	38,712	5,876	15.2%	12,398	14,260	(1,862)	-13.1%	56,986	52,972	4,014	7.6%
Deferred Outflows of Resources	1,234	273	961	352.0%	822	182	640	351.6%	2,056	455	1,601	351.9%
Capital Assets <sup>1</sup>	49,915	50,222	(307)	-0.6%	72,359	69,124	3,235	4.7%	122,274	119,346	2,928	2.5%
<b>Total Assets</b>	<b>95,737</b>	<b>89,207</b>	<b>6,530</b>	<b>7.3%</b>	<b>85,579</b>	<b>83,566</b>	<b>2,013</b>	<b>2.4%</b>	<b>181,316</b>	<b>172,773</b>	<b>8,543</b>	<b>4.9%</b>
Long-term Debt <sup>2</sup>	13,893	16,049	(2,156)	-13.4%	27,206	28,982	(1,776)	-6.1%	41,099	45,031	(3,932)	-8.7%
Other Liabilities	5,945	5,426	519	9.6%	2,001	2,885	(884)	-30.6%	7,946	8,311	(365)	-4.4%
Deferred Inflows of Resources	3,399	156	3,243	2078.8%	1,214	104	1,110	1067.3%	4,613	260	4,353	1674.2%
<b>Total Liabilities</b>	<b>23,237</b>	<b>21,631</b>	<b>1,606</b>	<b>7.4%</b>	<b>30,421</b>	<b>31,971</b>	<b>(1,550)</b>	<b>-4.8%</b>	<b>53,658</b>	<b>53,602</b>	<b>56</b>	<b>0.1%</b>
Net investment in capital assets	36,763	35,941	822	2.3%	45,315	46,892	(1,577)	-3.4%	82,078	82,833	(755)	-0.9%
Restricted	1,806	1,804	2	0.1%	554	6,458	(5,904)	-91.4%	2,360	8,262	(5,902)	-71.4%
Unrestricted	33,931	29,831	4,100	13.7%	9,289	(1,755)	11,044	-629.3%	43,220	28,076	15,144	53.9%
<b>Total Net Position</b>	<b>72,500</b>	<b>67,576</b>	<b>4,924</b>	<b>7.3%</b>	<b>55,158</b>	<b>51,595</b>	<b>3,563</b>	<b>6.9%</b>	<b>127,658</b>	<b>119,171</b>	<b>8,487</b>	<b>7.1%</b>

<sup>1</sup> See Table 3 for details

<sup>2</sup> 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 \$55.2 million in 2021. Total revenues of the Electric and Water Funds were \$43.7 million and \$11.5 million, respectively. The Electric Fund's total revenue increase of 0.5% was primarily due to a third straight year without an electric rate increase. The Water Fund experienced an increase in revenue of 11.0%. The net increase was the result of a significant increase in consumer consumption due to severe drought conditions in the summer/fall of 2021 coupled with a 3.5% rate increase effective January 2021.

Combined total expenses including Transfers to the City were \$47.3 million in 2021. Within total expenses, operating expenses (net of depreciation) increased 4.2% to \$30.9 million and net transfers to the City of Moorhead increased 2.1% to \$9.8 million.

MPS' combined net position increased by \$8.5 million, or 7.1%. The increase was the result of a \$4.9 million increase in the net position of the Electric Fund and a \$3.6 million increase in the net position of the Water Fund. Combined total revenues of \$55.2 million exceeded combined total expenses of \$47.3 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			
	2021	2020	Dollar Change	Percent change	2021	2020	Dollar Change	Percent change	2021	2020	Dollar Change	Percent change
Operating Revenues	43,325	42,686	639	1.5%	11,107	9,947	1,160	11.7%	54,432	52,633	1,799	3.4%
Nonoperating Revenues	419	836	(417)	-49.9%	366	391	(25)	-6.4%	785	1,227	(442)	-36.0%
<b>Total Revenue</b>	<b>43,744</b>	<b>43,522</b>	<b>222</b>	<b>0.5%</b>	<b>11,473</b>	<b>10,338</b>	<b>1,135</b>	<b>11.0%</b>	<b>55,217</b>	<b>53,860</b>	<b>1,357</b>	<b>2.5%</b>
Operating Expense	26,063	25,078	985	3.9%	4,899	4,629	270	5.8%	30,962	29,707	1,255	4.2%
Nonoperating Expenses	661	623	38	6.1%	660	501	159	31.7%	1,321	1,124	197	17.5%
Depreciation Expense	3,072	3,086	(14)	-0.5%	2,158	2,135	23	1.1%	5,230	5,221	9	0.2%
Transfers to City	9,116	8,972	144	1.6%	680	622	58	9.3%	9,796	9,594	202	2.1%
<b>Total Expenses</b>	<b>38,912</b>	<b>37,759</b>	<b>1,153</b>	<b>3.1%</b>	<b>8,397</b>	<b>7,887</b>	<b>510</b>	<b>6.5%</b>	<b>47,309</b>	<b>45,646</b>	<b>1,663</b>	<b>3.6%</b>
Income Before Capital Contributions	4,832	5,763	(931)	-16.2%	3,076	2,451	625	25.5%	7,908	8,214	(306)	-3.7%
Capital Contributions	92	30	62	206.7%	487	0	487	0.0%	579	30	549	1830.0%
Changes in Net Position	4,924	5,794	(869)	-15.0%	3,563	2,451	1,112	45.4%	8,487	8,244	243	1826.3%
Beginning Net Position	<b>67,576</b>	<b>61,782</b>	<b>5,794</b>	<b>9.4%</b>	<b>51,595</b>	<b>49,144</b>	<b>2,451</b>	<b>5.0%</b>	<b>119,171</b>	<b>110,926</b>	<b>8,245</b>	<b>7.4%</b>
<b>Ending Net Position</b>	<b>72,500</b>	<b>67,576</b>	<b>4,924</b>	<b>7.3%</b>	<b>55,158</b>	<b>51,595</b>	<b>3,563</b>	<b>6.9%</b>	<b>127,658</b>	<b>119,170</b>	<b>8,488</b>	<b>7.1%</b>

## 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 2021 were \$122.3 million compared to \$119.3 million at the end of 2020. Total capital assets increased \$2.9 million, or 2.5%. Net capital assets of the Electric Fund decreased by \$307,000, or 0.6%. Net capital assets of the Water Fund increased by \$3.2 million, or 4.7%.

After depreciation, the Electric Fund's decrease in capital assets included a increase in work-in-progress of \$102,000 and an overall decrease of \$409,000 in total electric plant in-service assets.

After depreciation, the Water Fund's increase in capital assets included a decrease in work-in-progress of \$7.7 million and an overall increase of \$11.0 million in total water plant in-service assets.

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

**Table 3**  
**MOORHEAD PUBLIC SERVICE**  
Capital Assets Net of Depreciation

<b>Electric Fund</b>				
	Balance 12/31/2021	Balance 12/31/2020	Increase (Decrease)	Percent
Plant in Service				
Land	\$ 1,071,555	\$ 1,071,555	\$ -	0.0%
Miscellaneous Intangible Plant	569,661	673,005	(103,344)	-15.4%
Production Plant	4,906,121	5,162,996	(256,875)	-5.0%
Transmission Plant	8,909,417	8,850,310	59,107	0.7%
Distribution Plant	27,385,922	27,604,923	(219,001)	-0.8%
General Plant	6,889,464	6,778,634	110,830	1.6%
Total Electric Plant in Service	49,732,140	50,141,423	(409,283)	-0.8%
Work-in-Progress	182,394	80,665	101,729	126.1%
Total Electric Capital Assets	\$ 49,914,534	\$ 50,222,088	\$ (307,554)	-0.6%
<b>Water Fund</b>				
	Balance 12/31/2021	Balance 12/31/2020	Increase (Decrease)	Percent
Plant In Service				
Land	\$ 979,967	\$ 979,967	\$ -	0.0%
Source of Supply	5,884,739	6,161,288	(276,549)	-4.5%
Water Treatment Plant	15,421,242	8,490,398	6,930,844	81.6%
Transmission & Distribution Plant	48,483,373	44,244,979	4,238,394	9.6%
General Plant	1,532,206	1,447,337	84,869	5.9%
Total Water Plant in Service	72,301,527	61,323,969	10,977,558	17.9%
Work-in-Progress	57,330	7,799,759	(7,742,429)	-99.3%
Total Water Capital Assets	\$ 72,358,857	\$ 69,123,728	\$ 3,235,129	4.7%
<b>Consolidated</b>				
Total MPS Capital Assets	\$ 122,273,391	\$ 119,345,816	\$ 2,927,575	2.5%

## LONG-TERM DEBT

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

The combined total long-term debt at the end of 2021 was \$41.1 million. The net change was an overall decrease of \$3.9 million, or 8.7%. The decrease was due to the payments of various bond issuances used for past Electric and Water Fund projects and a reduction in the MPS' net pension liability. The Electric Fund's long-term debt decreased by \$2.2 million, or 13.4%. The Water Fund's long-term debt decreased by \$1.8 million, or 6.1%. Additional information on long-term debt can be found in Note 4 in the Notes to Financial Statements.

MPS reported \$2.8 million as a net pension liability for the year ending December 31, 2021. This compares to \$4.4 million reported as of December 31, 2020. Additional information on net pension liability debt can be found in Note 8 in the Notes to Financial Statements.

**Table 4**  
**MOORHEAD PUBLIC SERVICE**

Long-Term Debt				
<b>Electric Fund</b>				
	Balance 12/31/2021	Balance 12/31/2020	Increase (Decrease)	Percent
OPEB Obligations	\$ 179,443	\$ 234,534	\$ (55,091)	-23.5%
Net Pension Liability	1,701,346	2,629,607	(928,261)	-35.3%
Public Utility Revenue & Refunding Bonds	13,151,346	14,281,297	(1,129,951)	-7.9%
Total Long-Term Debt	15,032,135	17,145,438	(2,113,303)	-12.3%
Less: Current Portion				
Public Utility Revenue & Refunding Bonds	1,138,650	1,096,450	42,200	3.8%
Total Current Portion of Long-Term Debt	1,138,650	1,096,450	42,200	3.8%
Net Long-Term Debt	<u>\$ 13,893,485</u>	<u>\$ 16,048,988</u>	<u>\$ (2,155,503)</u>	<u>-13.4%</u>
<b>Water Fund</b>				
	Balance 12/31/2021	Balance 12/31/2020	Increase (Decrease)	Percent
OPEB Obligations	\$ 119,628	\$ 156,356	\$ (36,728)	-23.5%
Net Pension Liability	1,134,231	1,753,072	(618,841)	-35.3%
Notes Payable	10,244,000	10,968,000	(724,000)	-6.6%
Public Utility Revenue & Refunding Bonds	16,800,611	17,171,985	(371,374)	-2.2%
Total Long-Term Debt	28,298,470	30,049,413	(1,750,943)	-5.8%
Less: Current Portion				
Notes Payable	731,000	724,000	7,000	1.0%
Public Utility Revenue & Refunding Bonds	361,350	343,550	17,800	5.2%
Total Current Portion of Long-Term Debt	1,092,350	1,067,550	24,800	2.3%
Net Long-Term Debt	<u>\$ 27,206,120</u>	<u>\$ 28,981,863</u>	<u>\$ (1,775,743)</u>	<u>-6.1%</u>
<b>Consolidated</b>				
Total MPS Net Long-Term Debt	<u>\$ 41,099,605</u>	<u>\$ 45,030,851</u>	<u>\$ (3,931,246)</u>	<u>-8.7%</u>

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**CONTACTING MOORHEAD PUBLIC SERVICE'S FINANCIAL MANAGEMENT**

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



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**MOORHEAD PUBLIC SERVICE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Electric	Water	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 9,710,121	\$ 3,202,273	\$ 12,912,394
Accounts receivable, net	2,195,106	567,491	2,762,597
Accounts receivable - unbilled revenues	2,951,834	619,359	3,571,193
Accrued interest receivable	99,998	14,942	114,940
Inventories	1,274,214	367,622	1,641,836
Prepaid items	47,452	18,298	65,750
Due from city funds	121,822	10,041	131,863
Due from other governmental units	420,205	-	420,205
	<u>16,820,752</u>	<u>4,800,026</u>	<u>21,620,778</u>
<b>RESTRICTED ASSETS</b>			
Revenue bond account	262,916	149,402	412,318
Bond reserve account	1,543,521	403,594	1,947,115
Unspent bond proceeds	-	868	868
	<u>1,806,437</u>	<u>553,864</u>	<u>2,360,301</u>
<b>OTHER ASSETS</b>			
Notes receivable	150,695	-	150,695
Bond operations and maintenance reserve	4,615,000	1,123,000	5,738,000
Other long-term investments	21,196,438	5,921,019	27,117,457
	<u>25,962,133</u>	<u>7,044,019</u>	<u>33,006,152</u>
<b>CAPITAL ASSETS</b>			
In-service	92,430,630	104,060,793	196,491,423
Land	1,071,555	979,967	2,051,522
Construction work-in-progress	182,394	57,330	239,724
	<u>93,684,579</u>	<u>105,098,090</u>	<u>198,782,669</u>
Less accumulated depreciation	43,770,045	32,739,233	76,509,278
	<u>49,914,534</u>	<u>72,358,857</u>	<u>122,273,391</u>
<b>Total assets</b>	<u>94,503,856</u>	<u>84,756,766</u>	<u>179,260,622</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB	30,656	20,437	51,093
Pension Plans	1,202,986	801,990	2,004,976
	<u>1,233,642</u>	<u>822,427</u>	<u>2,056,069</u>
<b>Total assets and deferred outflows</b>	<u>\$ 95,737,498</u>	<u>\$ 85,579,193</u>	<u>\$ 181,316,691</u>

	Electric	Water	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payable from current assets			
Accounts payable	\$ 752,990	\$ 329,196	\$ 1,082,186
Power costs payable	1,884,501	-	1,884,501
Sales tax payable	158,814	-	158,814
Customer deposits	77,050	-	77,050
Compensated absences	279,100	186,100	465,200
Due to other city funds	1,597,639	288,663	1,886,302
	<u>4,750,094</u>	<u>803,959</u>	<u>5,554,053</u>
Payable from restricted assets			
Accrued interest	55,908	104,441	160,349
Current maturities of notes	-	731,000	731,000
Current maturities of bonds payable	1,138,650	361,350	1,500,000
	<u>1,194,558</u>	<u>1,196,791</u>	<u>2,391,349</u>
<b>LONG-TERM DEBT</b>			
OPEB obligation	179,443	119,628	299,071
Net pension liability	1,701,346	1,134,231	2,835,577
Notes payable, less current maturities	-	9,513,000	9,513,000
Bonds payable, less current maturities	11,766,350	16,163,650	27,930,000
Premium on bonds payable	246,346	481,489	727,835
Discount on bonds payable	-	(205,878)	(205,878)
	<u>13,893,485</u>	<u>27,206,120</u>	<u>41,099,605</u>
<b>Total liabilities</b>	<u>19,838,137</u>	<u>29,206,870</u>	<u>49,045,007</u>
<b>DEFERRED INFLOWS OF RESOURCES AND OTHER CREDITS</b>			
OPEB	84,730	56,486	141,216
Pension plans	1,736,617	1,157,744	2,894,361
Other Deferred Credits	1,577,712	-	1,577,712
	<u>3,399,059</u>	<u>1,214,230</u>	<u>4,613,289</u>
<b>Total liabilities and deferred inflows</b>	<u>23,237,196</u>	<u>30,421,100</u>	<u>53,658,296</u>
<b>NET POSITION</b>			
<b>NET POSITION</b>			
Net investment in capital assets	36,763,188	45,315,113	82,078,301
Restricted for:			
Debt service	1,806,437	553,864	2,360,301
Unrestricted	33,930,677	9,289,116	43,219,793
	<u>72,500,302</u>	<u>55,158,093</u>	<u>127,658,395</u>
<b>Total liabilities and net position</b>	<u>\$ 95,737,498</u>	<u>\$ 85,579,193</u>	<u>\$ 181,316,691</u>

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**MOORHEAD PUBLIC SERVICE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2021**

	Electric	Water	Total
OPERATING REVENUES			
Charges for services	\$ 40,220,376	\$ 11,054,758	\$ 51,275,134
Other	3,104,640	52,030	3,156,670
Total operating revenues	<u>43,325,016</u>	<u>11,106,788</u>	<u>54,431,804</u>
OPERATING EXPENSES			
Purchased power	18,029,304	-	18,029,304
Production of power	291,494	-	291,494
Transmission	2,559,652	-	2,559,652
Distribution	2,520,796	1,100,413	3,621,209
Source of supply and pumping	-	276,161	276,161
Water treatment	-	2,194,322	2,194,322
Customer accounts	688,704	283,558	972,262
Administrative	1,972,555	1,044,120	3,016,675
Depreciation and amortization	3,072,198	2,157,535	5,229,733
Total operating expenses	<u>29,134,703</u>	<u>7,056,109</u>	<u>36,190,812</u>
OPERATING INCOME	14,190,313	4,050,679	18,240,992
NONOPERATING REVENUES (EXPENSES)			
Interest income and market adjustments	(215,803)	(36,157)	(251,960)
Gain (loss) on sale/disposal of capital assets	25,325	50,333	75,658
Other income	392,739	315,076	707,815
Interest expense	(445,128)	(624,209)	(1,069,337)
Total nonoperating revenues (expenses)	<u>(242,867)</u>	<u>(294,957)</u>	<u>(537,824)</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	13,947,446	3,755,722	17,703,168
TRANSFERS OUT TO OTHER FUNDS			
City general fund	(7,100,000)	(553,955)	(7,653,955)
City economic development fund	(50,000)	-	(50,000)
City capital improvement fund	(1,965,772)	(126,000)	(2,091,772)
Total transfers out	<u>(9,115,772)</u>	<u>(679,955)</u>	<u>(9,795,727)</u>
CONTRIBUTION OF CAPITAL ASSETS	<u>92,246</u>	<u>487,311</u>	<u>579,557</u>
CHANGE IN NET POSITION	4,923,920	3,563,078	8,486,998
NET POSITION, BEGINNING OF YEAR	<u>67,576,382</u>	<u>51,595,015</u>	<u>119,171,397</u>
NET POSITION, END OF YEAR	<u>\$ 72,500,302</u>	<u>\$ 55,158,093</u>	<u>\$ 127,658,395</u>

**MOORHEAD PUBLIC SERVICE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

	Electric	Water	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 44,393,403	\$ 11,966,459	\$ 56,359,862
Payments to suppliers	(23,671,699)	(4,832,264)	(28,503,963)
Payments to employees	(1,939,455)	(1,022,020)	(2,961,475)
NET CASH FROM OPERATING ACTIVITIES	18,782,249	6,112,175	24,894,424
NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(9,115,772)	(679,955)	(9,795,727)
New issuance of notes and special receivables	(150,695)	-	(150,695)
(Increase) decrease in due from other funds	(89,045)	(10,041)	(99,086)
Increase (decrease) in due to other funds	58,394	(54,063)	4,331
Increase (decrease) in other deferred credits	1,462,319	(76,928)	1,385,391
Increase in net OPEB liability and related deferred inflows and outflows of resources	(10,297)	(6,866)	(17,163)
Increase in net pension liability and related deferred inflows and outflows of resources	(152,841)	(101,895)	(254,736)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(7,997,937)	(929,748)	(8,927,685)
INVESTING ACTIVITIES			
Interest received and market adjustments	(260,516)	(43,096)	(303,612)
Purchase of investments	(5,948,824)	(4,736,932)	(10,685,756)
Proceeds from the sale of investments	-	5,904,284	5,904,284
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(6,209,340)	1,124,256	(5,085,084)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,764,645)	(5,392,664)	(8,157,309)
Proceeds related to sale of assets	25,325	50,333	75,658
Debt service - principal	(1,096,450)	(1,067,550)	(2,164,000)
Debt service - interest and fees	(484,167)	(655,388)	(1,139,555)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(4,319,937)	(7,065,269)	(11,385,206)
NET CHANGE IN CASH BALANCE	255,035	(758,586)	(503,551)
CASH BALANCE, JANUARY 1	9,455,086	3,960,859	13,415,945
CASH BALANCE, DECEMBER 31	\$ 9,710,121	\$ 3,202,273	\$ 12,912,394

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	Electric	Water	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	\$ 14,190,313	\$ 4,050,679	\$ 18,240,992
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization	3,072,198	2,157,535	5,229,733
Other income	392,739	315,076	707,815
Customer contributions to capital assets	92,246	487,311	579,557
Change in assets and liabilities			
Receivables	617,888	57,284	675,172
Inventories	2,906	(102,748)	(99,842)
Prepaid items	25,112	(871)	24,241
Due from others	(34,486)	-	(34,486)
Accounts payable	390,233	(874,191)	(483,958)
Compensated Absences	33,100	22,100	55,200
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 18,782,249</u>	<u>\$ 6,112,175</u>	<u>\$ 24,894,424</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Changes in capital assets through contributed capital	<u>\$ 92,246</u>	<u>\$ 487,311</u>	<u>\$ 579,557</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *General*

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

#### *Reporting Entity*

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

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

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

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

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Moorhead Public Service reports the following major proprietary funds:

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

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



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

*Cash Equivalents*

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

*Receivable and Credit Policy*

Moorhead Public Service’s trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 22 days from the invoice date. Prior to 2020, customers were charged a one-time 5% fee for late payments. In January 2020, the rate was lowered to 1%. In mid-March 2020, the assessment of late charges was suspended until further notice. The suspension remained in effect through the end of 2021.

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 2021, the allowances for uncollectible accounts were \$6,110 for electric fund receivables and \$2,250 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

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### *Investments*

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

### *Inventories*

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

### *Prepaid Items*

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

### *Compensated Absences*

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

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

### *Revenue Recognition*

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

### *Power & Transmission Costs*

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

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## *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

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### 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, 2021, 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.

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## 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, 2021, Moorhead Public Service had the following investments and maturities:

Restricted Investment Type	Fair Value	Investment Maturities (in Years)				
		Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	\$ 1,900,524	\$ -	\$ 1,900,524	\$ -	\$ -	\$ -
Money Market Funds	459,777	459,777	-	-	-	-
Total Restricted Investments	<u>\$ 2,360,301</u>	<u>\$ 459,777</u>	<u>\$ 1,900,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Unrestricted Investment Type	Fair Value	Investment Maturities (in Years)				
		Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	\$ 32,855,457	\$ -	\$ 3,424,503	\$ 21,710,134	\$ 5,589,189	\$ 2,131,631

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, 2021, all of Moorhead Public Service's investments are valued using quoted market prices (Level 1 inputs).

## NOTES TO FINANCIAL STATEMENTS

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### *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, 2021, Moorhead Public Service was in compliance with all bond resolutions.

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## 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	80,665	2,764,644	2,662,915	182,394
	<u>1,152,220</u>	<u>2,764,644</u>	<u>2,662,915</u>	<u>1,253,949</u>
Capital assets, being depreciated:				
Miscellaneous intangible plant	1,288,813	-	-	1,288,813
Production plant	8,678,475	-	-	8,678,475
Transmission plant	16,783,378	486,527	-	17,269,905
Distribution plant	49,961,066	1,382,537	212,971	51,130,632
General plant	13,328,564	793,851	59,610	14,062,805
	<u>90,040,296</u>	<u>2,662,915</u>	<u>272,581</u>	<u>92,430,630</u>
Less accumulated depreciation for:				
Miscellaneous intangible plant	615,808	103,344	-	719,152
Production plant	3,515,479	256,875	-	3,772,354
Transmission plant	7,933,068	427,420	-	8,360,488
Distribution plant	22,356,143	1,601,538	212,971	23,744,710
General plant	6,549,930	683,021	59,610	7,173,341
	<u>40,970,428</u>	<u>3,072,198</u>	<u>272,581</u>	<u>43,770,045</u>
Total capital assets, being depreciated, net	<u>49,069,868</u>	<u>(409,283)</u>	<u>-</u>	<u>48,660,585</u>
Capital assets, net	<u>\$ 50,222,088</u>	<u>\$ 2,355,361</u>	<u>\$ 2,662,915</u>	<u>\$ 49,914,534</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	7,799,759	5,392,664	13,135,093	57,330
	<u>8,779,726</u>	<u>5,392,664</u>	<u>13,135,093</u>	<u>1,037,297</u>
Capital assets, being depreciated:				
Source of supply plant structure and improvements	11,598,096	43,686	-	11,641,782
Pumping plant	30,914	-	-	30,914
Water treatment plant	17,676,536	7,300,821	-	24,977,357
Transmission and distribution plant	58,404,326	5,457,067	31,407	63,829,986
General plant	3,403,127	333,519	155,892	3,580,754
	<u>91,112,999</u>	<u>13,135,093</u>	<u>187,299</u>	<u>104,060,793</u>
Less accumulated depreciation for:				
Source of supply plant structure and improvements	5,436,808	320,235	-	5,757,043
Pumping plant	30,914	-	-	30,914
Water treatment plant	9,186,138	369,977	-	9,556,115
Transmission and distribution plant	14,159,347	1,218,673	31,407	15,346,613
General plant	1,955,790	248,650	155,892	2,048,548
	<u>30,768,997</u>	<u>2,157,535</u>	<u>187,299</u>	<u>32,739,233</u>
Total capital assets, being depreciated, net	<u>60,344,002</u>	<u>10,977,558</u>	<u>-</u>	<u>71,321,560</u>
Capital assets, net	<u>\$ 69,123,728</u>	<u>\$ 16,370,222</u>	<u>\$ 13,135,093</u>	<u>\$ 72,358,857</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, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance	Long-Term After One Year	Due Within One Year
Compensated Absences	\$ 410,000	\$ 55,200*	\$ -	\$ 465,200	\$ -	\$ 465,200
Notes Payable	10,968,000	-	724,000	10,244,000	9,513,000	731,000
Public Utility Revenue & Refunding Bonds						
Series 2007A	3,195,000	-	425,000	2,770,000	2,325,000	445,000
Series 2009A	490,000	-	115,000	375,000	255,000	120,000
Series 2012E	2,380,000	-	310,000	2,070,000	1,750,000	320,000
Series 2016A	10,820,000	-	530,000	10,290,000	9,740,000	550,000
Series 2020A	13,985,000	-	60,000	13,925,000	13,860,000	65,000
Less unamortized discount	(216,809)		(10,931)	(205,878)	(194,946)	(10,932)
Plus unamortized premium	800,091		72,256	727,835	658,480	69,355
	<u>\$ 42,831,282</u>	<u>\$ 55,200</u>	<u>\$ 2,225,325</u>	<u>\$ 40,661,157</u>	<u>\$ 37,906,534</u>	<u>\$ 2,754,623</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, 2021:

	Interest Rates	Water	Total
Minnesota Public Facilities Authority			
Drinking Water SRF Bond Fund Loan			
MPFA-09-0036-R-FY15	1.02%	\$ 8,451,000	\$ 8,451,000
MPFA-DWRF-L-0006-FY16	1.00%	1,793,000	1,793,000
		<u>10,244,000</u>	<u>10,244,000</u>
Less current maturities		<u>(731,000)</u>	<u>(731,000)</u>
		<u>\$ 9,513,000</u>	<u>\$ 9,513,000</u>

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

	Water	
	Principal	Interest
2022	\$ 731,000	\$ 104,130
2023	739,000	96,698
2024	747,000	89,184
2025	754,000	81,590
2026	762,000	73,924
2027-2031	3,925,000	251,862
2032-2036	2,586,000	55,382
	<u>\$ 10,244,000</u>	<u>\$ 752,770</u>

#### *Revenue & Refunding Bonds*

The following is a summary of bonds payable for the year ended December 31, 2021:

	Interest Rates	Electric	Water	Total
Public Utility Revenue & Refunding Bonds				
Series 2007A	5.17%	\$ 1,301,900	\$ 1,468,100	\$ 2,770,000
Series 2009A	3.0% - 4.75%	375,000	-	375,000
Series 2012E	2.0% - 3.0%	2,070,000	-	2,070,000
Series 2016A	2.0% - 4.0%	9,158,100	1,131,900	10,290,000
Series 2020A	2.0% - 5.0%	-	13,925,000	13,925,000
		12,905,000	16,525,000	29,430,000
Less current maturities		(1,138,650)	(361,350)	(1,500,000)
Net bonds payable, less current maturities		11,766,350	16,163,650	27,930,000
Plus unamortized discount or premium		246,346	275,611	521,957
		<u>\$ 12,012,696</u>	<u>\$ 16,439,261</u>	<u>\$ 28,451,957</u>

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

## 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
2022	\$ 1,138,650	\$ 401,264	\$ 361,350	\$ 492,682
2023	1,187,650	355,871	377,350	474,819
2024	1,232,200	308,248	392,800	456,104
2025	1,146,200	258,673	413,800	436,681
2026	1,192,550	213,427	472,450	416,162
2027-2031	3,559,000	694,331	2,931,000	1,716,769
2032-2036	3,448,750	286,102	4,941,250	1,224,686
2037-2040	-	-	6,635,000	418,950
	<u>\$ 12,905,000</u>	<u>\$ 2,517,916</u>	<u>\$ 16,525,000</u>	<u>\$ 5,636,853</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, 2021, are as follows:

Business-type activities	Purpose	Pledged Revenue Source	Approximate	Final Maturity Date	Issue Amount	Principal and Interest Paid	Net Revenues	Total Principal and Interest and Remaining
			Amount of Revenue Pledged					
Revenue Bonds and Notes								
Series 2007A	System Construction	Utility Revenues	7%	2027	\$ 7,245,000	\$ 587,009	\$ 8,486,998	\$ 3,236,247
Series 2009A	System Construction	Utility Revenues	2%	2024	7,530,000	137,416	8,486,998	410,486
Series 2012E	System Construction	Utility Revenues	4%	2027	4,570,000	381,400	8,486,998	2,292,600
Series 2016A	System Construction	Utility Revenues	10%	2036	12,730,000	838,831	8,486,998	12,582,911
Series 2020A	System Construction	Water Revenues	13%	2040	13,985,000	449,825	3,563,078	19,062,525

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**NOTE 5 - OPEB OBLIGATIONS**

**A. Plan Description**

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

**B. Benefits Provided**

Moorhead Public Service allows access to the contract groups other post-retirement benefits of blended medical premiums of \$760 for single and \$1,525 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	56
Total	<u>61</u>

**D. Total OPEB Liability**

Moorhead Public Service’s total OPEB liability of \$299,071 was measured as of January 1, 2021 and was determined by an actuarial valuation as of January 1, 2021.

**E. Actuarial Assumptions**

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary increases	3.00%
Discount Rate	2.00%
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-2020 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study as of January 1, 2021.

### F. Changes in the Total OPEB Liability

Balance at January 1, 2020	\$ 390,890
Changes from the Prior Year:	
Service Cost	29,444
Interest Cost	11,700
Assumption Changes	(26,325)
Differences between Expected and Actual Experience	(72,618)
Benefit Payments	(34,020)
Balance at January 1, 2021	<u>\$ 299,071</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	\$ 320,187	\$ 299,071	\$ 278,958
Discount Rate	1.00%	2.00%	3.00%

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 Trend Rate	Healthcare Trend Rate	1% Increase In Healthcare Trend Rate
Total OPEB Liability	\$ 265,212	\$ 299,071	\$ 340,265
Healthcare Trend Rate	6.50% as of January 1, 2021 grading to 5.00% over 6 years and then to 4.00% over the next 48 years		

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

For the year ended December 31, 2021, Moorhead Public Service recognized OPEB expense of \$18,238. At December 31, 2021, Moorhead Public Service had \$51,094 in deferred outflows of resources related to OPEB and \$141,216 in deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Losses	\$ -	\$ -
Liability Gains		114,822
Assumption Changes	15,602	26,394
Investment Gains		N/A
Investment Losses	N/A	
Estimated Employer Contributions	35,492	
Total	<u>\$ 51,094</u>	<u>\$ 141,216</u>

Future Recognition of Deferred Flows in OPEB Expense

a. December 31, 2022	(22,816)
b. December 31, 2023	(22,816)
c. December 31, 2024	(22,816)
d. December 31, 2025	(22,816)
e. December 31, 2026	(22,814)
e. December 31, 2027	(11,536)
f. Thereafter	0

## 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, 2021, is as follows.

Payable	Amount
Electric Fund - Due to City of Moorhead's General, Capital Improvement, Economic Development, Sanitation, and Wastewater Funds	\$ 1,597,639
Water Fund - Due to City of Moorhead General Fund	\$ 288,663

  

Receivable	Amount
Electric Fund - Due from City of Moorhead General Fund	\$ 121,822
Water Fund - Due from City of Moorhead General Fund	\$ 10,041

### 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 2021, the Electric Fund transferred the base transfer of \$7,100,000 to the General Fund; 5%, or \$1,965,772 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 2021, the Water Fund transferred 5%, or \$553,955 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	2021
City General Fund	\$ 7,100,000
City Capital Improvement Fund	1,965,772
City Economic Development Fund	50,000
Total	\$ 9,115,772

  

Appropriation Transfers - Water Fund	2021
City General Fund	\$ 553,955
City Capital Improvement Fund	126,000
Total	\$ 679,955



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## 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

NOTES TO FINANCIAL STATEMENTS

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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 2021 and MPS was required to contribute 7.50 percent for Coordinated Plan members. MPS contributions to the General Employees Fund for the year ended December 31, 2021, were \$363,161. MPS's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2021, MPS reported a liability of \$2,835,577 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 \$86,558.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. MPS's proportionate share was 0.0664 percent at the end of the measurement period and 0.0731 percent for the beginning of the period.

MPS' proportionate share of the net pension liability	\$ 2,835,577
State of Minnesota's proportionate share of the net pension liability associated with MPS	86,558
Total	<u>\$ 2,922,135</u>

For the year ended December 31, 2021, MPS recognized pension expense of \$137,799 for its proportionate share of the General Employees Plan's pension expense. In addition, MPS recognized an additional \$6,984 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, 2021, Moorhead Public Service 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 18,575	\$ 87,790
Changes in actuarial assumptions	1,731,345	68,363
Net collective difference between projected and actual investment earnings	-	2,431,388
Changes in proportion	63,581	306,820
Contributions paid to PERA subsequent to the measurement date	191,475	-
Total	<u>\$ 2,004,976</u>	<u>\$ 2,894,361</u>

The \$191,475 reported as deferred outflows of resources related to pensions resulting from MPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30,</b>	<b>Pension Expense Amount</b>
2022	\$ (194,465)
2023	(103,783)
2024	(112,806)
2025	(669,806)
Thereafter	-

#### *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:

## NOTES TO FINANCIAL STATEMENTS

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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%	

### *F. Actuarial Methods and Assumptions*

The total pension liability in the June 30, 2021, 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 6.5 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 6.5 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. 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 29 years of service and 6.0 percent per year thereafter.

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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

#### **General Employees Fund**

##### **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.

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*G. Discount Rate*

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*H. Pension Liability Sensitivity*

The following presents MPS's proportionate share of the net pension liability for the plan it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what MPS's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Lower</u>	<u>Current Discount Rate</u>	<u>1% Higher</u>
General Employees Fund Discount Rate	5.50%	6.50%	7.50%
Moorhead Public Service's proportionate share of GERF net pension liability	\$ 5,783,131	\$ 2,835,577	\$ 416,930

*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](http://www.mnpera.org).

## NOTES TO FINANCIAL STATEMENTS

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### 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*

In 2021, Moorhead Public Service work was completed on two major water fund projects reported as Other Contracted Obligations in 2020. At year-end 2021, MPS did not have any significant future contracted obligations.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**MOORHEAD PUBLIC SERVICE**  
**SCHEDULE OF CHANGES TO TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2021**

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

	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Service cost	29,444	33,344	27,943	31,306
Interest Cost	11,700	14,341	15,515	15,851
Changes in assumptions	(26,325)	20,804	(6,128)	0
Differences between Expected and Actual Experience	(72,618)	0	(84,126)	0
Benefit payments	(34,020)	(42,921)	(59,686)	(48,391)
Net change in total OPEB liability	(91,819)	25,568	(106,482)	(1,234)
Total OPEB Liability - beginning	390,890	365,322	471,804	473,038
Total OPEB Liability - ending	299,071	390,890	365,322	471,804
Covered employee payroll	4,537,932	4,638,093	4,503,003	4,375,925
Total OPEB liability as a percentage of covered employee payroll	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.

**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%.

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## **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%.

**MOORHEAD PUBLIC SERVICE**  
**SCHEDULE OF CHANGES TO TOTAL PENSION LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2021**

**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	6/30/2021	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**

**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.

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- The assumed spouse age difference was changed from two years older for females to one year older.
  - The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

#### Changes in Plan Provisions

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

### 2019 Changes

#### Changes in Actuarial Assumptions

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

#### Changes in Plan Provisions

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

### 2018 Changes

#### Changes in Actuarial Assumptions

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

#### Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
  - Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
  - Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
  - Contribution stabilizer provisions were repealed.
  - Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
  - For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
  - Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
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## **2017 Changes**

### **Changes in Actuarial Assumptions**

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

### **Changes in Plan Provisions**

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

## **2016 Changes:**

### **Changes in Actuarial Assumptions**

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

### **Changes in Plan Provisions**

- There have been no changes since the prior valuation.

## **2015 Changes:**

### **Changes in Actuarial Assumptions**

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

### **Changes in Plan Provisions**

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

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### 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	12/31/2021	\$ 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.

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## OTHER SUPPLEMENTARY INFORMATION

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**MOORHEAD PUBLIC SERVICE**  
**ANALYSIS OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION/AMORTIZATION**  
**YEAR ENDED DECEMBER 31, 2021**

Electric Capital Assets				
	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
PLANT IN SERVICE				
Miscellaneous				
Intangible plant	\$ 1,288,813		\$ -	\$ 1,288,813
Production plant land				
Land	921,919	-	-	921,919
Production plant				
Structures and improvements	7,137,968	-	-	7,137,968
Accessory electric equipment	221,092	-	-	221,092
Wind turbine	1,319,415	-	-	1,319,415
	8,678,475	-	-	8,678,475
Transmission plant land				
Land	149,636	-	-	149,636
Transmission plant				
Structures and improvements	16,783,378	486,527	-	17,269,905
Distribution plant				
Station equipment	10,184,113	276,852	-	10,460,965
Poles, towers, and fixtures	2,477,522	-	25,037	2,452,485
Underground conduit	23,975,727	691,650	99,790	24,567,587
Line transformers	7,043,811	318,068	56,715	7,305,164
Services	1,906,102	-	-	1,906,102
Meters	2,561,371	57,945	31,429	2,587,887
Installations on customer premises	220,642	-	-	220,642
Street lighting and signal systems	1,591,778	38,022	-	1,629,800
	49,961,066	1,382,537	212,971	51,130,632
General plant				
Structures and Improvements	4,176,468	-	-	4,176,468
Office furniture and equipment	1,569,856	438,200	-	2,008,056
Transportation equipment	3,233,270	316,197	59,610	3,489,857
Stores equipment	3,681	-	-	3,681
Tools, shop, and garage equipment	329,622	-	-	329,622
Communication equipment	4,015,667	39,454	-	4,055,121
	13,328,564	793,851	59,610	14,062,805
Total electric plant in service	91,111,851	2,662,915	272,581	93,502,185
CONSTRUCTION WORK-IN-PROGRESS	80,665	2,764,644	2,662,915	182,394
	\$ 91,192,516	\$ 5,427,559	\$ 2,935,496	\$ 93,684,579

Accumulated Depreciation/Amortization						Percent of Depreciation Amortization to Plant
Annual Depreciation Amortization Rates	Balance 12/31/2020	Provision	Retirements	Balance 12/31/2021		
10.0 - 12.5	%	\$ 615,808	\$ 103,344	\$ -	\$ 719,152	55.80%
		-			-	-
2		2,531,819	212,929	-	2,744,748	38.45%
3		221,092	-	-	221,092	100.00%
3		762,568	43,946	-	806,514	61.13%
		3,515,479	256,875	-	3,772,354	
		-	-	-	-	-
3		7,933,068	427,420	-	8,360,488	48.41%
2		5,218,566	286,390	-	5,504,956	52.62%
3		2,219,916	14,383	25,037	2,209,262	90.08%
2		8,989,728	869,580	99,790	9,759,518	39.73%
3		2,696,306	223,411	56,715	2,863,002	39.19%
3		1,341,501	25,882	-	1,367,383	71.74%
4		860,379	129,063	31,429	958,013	37.02%
4		109,100	4,593	-	113,693	51.53%
3		920,647	48,236	-	968,883	59.45%
		22,356,143	1,601,538	212,971	23,744,710	
10		1,140,783	95,554	-	1,236,337	29.60%
10		1,030,631	132,394	-	1,163,025	57.92%
5 - 25		1,280,868	246,944	59,610	1,468,202	42.07%
10		3,681	-	-	3,681	100.00%
10		301,508	6,489	-	307,997	93.44%
6		2,792,459	201,640	-	2,994,099	73.84%
		6,549,930	683,021	59,610	7,173,341	
		40,970,428	3,072,198	272,581	43,770,045	
		-	-	-	-	
		\$ 40,970,428	\$ 3,072,198	\$ 272,581	\$ 43,770,045	

**MOORHEAD PUBLIC SERVICE**  
**ANALYSIS OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION/AMORTIZATION**  
**YEAR ENDED DECEMBER 31, 2021**

	Water Capital Assets			
	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
PLANT IN SERVICE				
Land	\$ 979,967	\$ -	\$ -	\$ 979,967
Source of supply plant structures and improvements	11,598,096	43,686	-	11,641,782
Pumping plant	30,914	-	-	30,914
Water treatment plant	17,676,536	7,300,821	-	24,977,357
Transmission and distribution plant				
Towers	1,652,798	4,082,731	-	5,735,529
Mains	54,492,328	1,294,115	18,790	55,767,653
Meters	2,259,200	80,221	12,617	2,326,804
	58,404,326	5,457,067	31,407	63,829,986
General plant				
Office furniture and equipment	73,769	16,360	-	90,129
Transportation equipment	1,513,958	236,344	155,892	1,594,410
Tools, shop, and garage equipment	151,540	-	-	151,540
Laboratory equipment	428,344	39,204	-	467,548
SCADA equipment	1,235,516	41,611	-	1,277,127
	3,403,127	333,519	155,892	3,580,754
Total water plant in service	92,092,966	13,135,093	187,299	105,040,760
CONSTRUCTION WORK-IN-PROGRESS	7,799,759	5,392,664	13,135,093	57,330
	\$ 99,892,725	\$ 18,527,757	\$ 13,322,392	\$ 105,098,090

Accumulated Depreciation/Amortization						Percent of Depreciation Amortization to Plant
Annual Depreciation Amortization Rates	Balance 12/31/2020	Provision	Retirements	Balance 12/31/2021		
	%	\$ -	\$ -	\$ -	\$ -	0.0%
2 - 25		5,436,808	320,235	-	5,757,043	49.5%
2		30,914	-	-	30,914	100.0%
2 - 3		9,186,138	369,977	-	9,556,115	38.3%
2		826,013	33,056	-	859,069	15.0%
2		12,284,756	1,126,574	18,790	13,392,540	24.0%
3		1,048,578	59,043	12,617	1,095,004	47.1%
		14,159,347	1,218,673	31,407	15,346,613	
10		40,609	5,991	-	46,600	51.7%
12		985,203	97,287	155,892	926,598	58.1%
5		134,928	4,891	-	139,819	92.3%
10		319,368	36,618	-	355,986	76.1%
14		475,682	103,863	-	579,545	45.4%
		1,955,790	248,650	155,892	2,048,548	
		30,768,997	2,157,535	187,299	32,739,233	
		-	-	-	-	
		\$ 30,768,997	\$ 2,157,535	\$ 187,299	\$ 32,739,233	



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards***

To the Public Service Commission  
Moorhead Public Service  
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of Moorhead Public Service as of and for the year ended December 31, 2021, 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 3, 2022.

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

## **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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota  
May 3, 2022



## Report on *Minnesota Legal Compliance*

To the Public Service Commission  
Moorhead Public Service  
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of Moorhead Public Service, Minnesota, as of and for the year ended December 31, 2021, 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 3, 2022.

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

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

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

Fargo, North Dakota  
May 3, 2022



MOORHEAD PUBLIC SERVICE  
SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2021

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**FINANCIAL STATEMENT FINDINGS**

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None reported.

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***MINNESOTA LEGAL COMPLIANCE FINDINGS***

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None reported.