MOORHEAD PUBLIC SERVICE

connecting our community

FINANCIAL STATEMENTS
DECEMBER 31, 2025

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ABOUT MOORHEAD PUBLIC SERVICE

Moorhead Public Service (MPS) is a consumer-owned electric and water utility created by the city charter serving more than 21,400 customer accounts within a community of over 44,000. Located on the Minnesota-North Dakota border, Moorhead is part of the metropolitan area of Fargo-Moorhead, West Fargo, and Dilworth, with a combined population of approximately 249,000.

Moorhead Public Service is governed by the Moorhead Public Service Commission, which is responsible for the control, management, and operation of the water utility plant and distribution system and the electric utility plant and distribution system. The commission consists of six commissioners, of whom one member shall be a current member of the City Council. Except for the current City Council member appointed to the commission, each commissioner is appointed for a term of three years and shall serve until their successor is appointed and qualifies.

By charter, the Moorhead Public Service Commission may exercise any power necessary and convenient for the efficient and economical operation of the utilities and services under its control, approve the utility budget, and establish water and electric rates for consumers.

The commission must annually prepare and file a financial report with the city manager. The financial report must be included in the city's annual financial statements.

MPS receives no tax dollars and, in 2025, transferred nearly $10.5 million in utility revenues to the City of Moorhead's general, capital improvement, and economic development funds.

MOORHEAD PUBLIC SERVICE MISSION STATEMENT

As a community-owned utility, Moorhead Public Service will strive to be recognized as a regional leader by providing innovative, efficient, reliable, and environmentally responsible municipal services in a manner that maximizes our community's current and future success.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of Moorhead Public Service, a component unit of the City of Moorhead, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Moorhead Public Service's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Moorhead Public Service, as of December 31, 2025, and the respective changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of Moorhead Public Service intends to present the financial position and the changes in financial position of only that portion of the business-type activities and each major fund of Moorhead Public Service. They do not purport to, and do not, present fairly the financial position of the City of Moorhead as of December 31, 2025, the changes in its financial position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2026 on our consideration of Moorhead Public Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Moorhead Public Service's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moorhead Public Service's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 4, 2026, 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.

Eide Bailly LLP

Denver, Colorado
May 4, 2026

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, 2025. This information is presented in conjunction with the audited basic financial statements that follow this section.

In 2025, MPS maintained strong reserve balances, which helped minimize minor financial gaps in revenue billings and collections and buffered the impact of inflationary pressures that persisted through calendar year 2025. The presence of strong reserve balances helped mitigate the impact of inflationary pressures on material costs, which were also affected by ongoing supply chain issues. Both factors impacted the timely acquisition and the cost of specialized electric and water division materials and supplies. Under the continued diligent oversight of its Commission, MPS continued to operate efficiently and prudently.

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

FINANCIAL HIGHLIGHTS FOR THE YEAR

- MPS's combined net position increased $6.6 million, or 4.4%, from $150.7 million to $157.3 million. The Electric Fund's net position increased $4.2 million, or 4.7%, from $90 million to $94.2 million. The Water Fund's net position increased $2.3 million, or 3.8%, from $60.7 million to $63 million.

- Combined operating revenues increased by $1.9 million or 3.5%, to $58.2 million. Electric Fund operating revenues increased by $1.7 million, or 3.9%, from $44.2 million to $45.9 million. Water Fund operating revenues increased by $218,000, or 1.8%, from $12.1 million to $12.3 million.

- Combined net transfers to the City of Moorhead increased $176,000, or 1.7%, from $10.3 million to $10.4 million. Electric Fund transfers increased $167,000, or 1.7%, from $9.5 million to $9.7 million. Water Fund transfers increased $9,000, or 1.2%, from $732,000 to $741,000.

OVERVIEW OF THE FINANCIAL STATEMENT

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

REQUIRED FINANCIAL STATEMENTS

The Financial Statements report information in accordance with generally accepted accounting practices for electric and water utilities. 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's creditors (liabilities). The statement also provides information that can assist in making a variety of financial assessments about MPS's rate of return, structure, liquidity, and financial flexibility. Lastly, the statement also provides the deferred inflows and deferred outflows related to MPS's 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's profitability and creditworthiness.

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

FINANCIAL ANALYSIS OF MOORHEAD PUBLIC SERVICE

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

During 2025, the Electric Fund's total assets increased by $1.8 million, or 1.3%. Within total assets, current and other assets decreased by $945,000, deferred outflows of resources increased by $88,000, and capital assets increased by $2.6 million.

During 2025, the Electric Fund's liabilities decreased by $2.4 million, or 5.0%. The decrease was primarily due to payments on outstanding bond obligations.

The net effect of changes in total assets and total liabilities within the Electric Fund was an increase of $4.2 million, or 4.7%, bringing the net position to $94.2 million.

During 2025, the Water Fund's total assets increased by $1.3 million, or 1.4%. Within total assets, current and other assets decreased by $1 million, deferred outflows increased by $59,000, and capital assets increased by $2.3 million.

During 2025, the Water Fund's liabilities decreased by $1 million, or 3.2%. The decrease was primarily due to payments on outstanding bond obligations exceeding new borrowings initiated in 2025.

The net effect of changes in total assets and total liabilities was an increase in the Water Fund's net position of $2.3 million, or 3.8%, bringing it to $63 million.

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

	Electric				Water				Combined			
	2025	2024	Dollar Change	Percent Change	2025	2024	Dollar Change	Percent Change	2025	2024	Dollar Change	Percent Change
Current and Other Assets	$ 56,899	$ 57,844	($ 945)	-1.6%	$ 14,044	$ 15,097	($ 1,053)	-7.0%	$ 70,943	$ 72,941	($ 1,998)	-2.7%
Deferred Outflows of Resources	531	443	88	19.9%	355	296	59	19.9%	886	739	147	19.9%
Capital Assets [1]	83,302	80,675	2,627	3.3%	78,539	76,221	2,318	3.0%	161,841	156,896	4,945	3.2%
Total Assets and Deferred Outflows of Resources	**$ 140,732**	**$ 138,962**	**$ 1,770**	**1.3%**	**$ 92,938**	**$ 91,614**	**$ 1,324**	**1.4%**	**$ 233,670**	**$ 230,576**	**$ 3,094**	**1.3%**
Long-term Debt [2]	$ 35,873	$ 38,342	($ 2,469)	-6.4%	$ 22,427	$ 23,767	($ 1,340)	-5.6%	$ 58,300	$ 62,109	($ 3,809)	-6.1%
Other Liabilities	8,667	8,377	290	3.5%	6,825	6,419	406	6.3%	15,492	14,796	696	4.7%
Deferred Inflows of Resources	1,916	2,193	(277)	-12.6%	684	754	(70)	-9.3%	2,600	2,947	(347)	-11.8%
Total Liabilities and Deferred Inflows of Resources	**$ 46,456**	**$ 48,912**	**($ 2,456)**	**-5.0%**	**$ 29,936**	**$ 30,940**	**($ 1,004)**	**-3.2%**	**$ 76,392**	**$ 79,852**	**($ 3,460)**	**-4.3%**
Net investment in capital assets	$ 46,937	$ 42,042	$ 4,895	11.6%	$ 55,954	$ 52,432	$ 3,522	6.7%	$ 102,891	$ 94,474	$ 8,417	8.9%
Restricted	4,113	4,114	(1)	0.0%	573	562	11	2.0%	4,686	4,676	10	0.2%
Unrestricted	43,226	43,894	(668)	-1.5%	6,475	7,680	(1,205)	-15.7%	49,701	51,574	(1,873)	-3.6%
Total Net Position	**$ 94,276**	**$ 90,050**	**$ 4,226**	**4.7%**	**$ 63,002**	**$ 60,674**	**$ 2,328**	**3.8%**	**$ 157,278**	**$ 150,724**	**$ 6,554**	**4.3%**

[1] See Table 3 for details
[2] See Table 4 for details

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

For 2025, MPS implemented overall rate increases of 2.0% and 5.5% for electric rates and water rates, respectively.

Combined total revenue in 2025 was $62.3 million, with $49 million and $13.3 million for the Electric and Water Funds, respectively. The Electric Fund's 2025 total revenue increase of 4.2% over 2024 total revenue was due to an increase in revenue from sales of electricity, coupled with positive market gains and interest income on investments. The Water Fund's 2025 total revenue increased by 3.7% over 2024 total revenue, driven by higher sales revenue and increases in investment interest income and market adjustment gains.

Combined total expenses, including transfers to the City, were $57.1 million in 2025. Within total expenses, operating expenses increased 3.1% to $37.7 million, and net transfers to the City of Moorhead increased 1.7% to $10.4 million.

Combined total revenues of $62.3 million exceeded combined total expenses of $57.1 million by $5.2 million.

MPS's combined net position increased by $6.5 million, or 4.3%, as a result of a $4.2 million increase in the net position of the Electric Fund and a $2.3 million increase in the net position of the Water Fund.

Table 2

Moorhead Public Service

Condensed Statement of Revenues, Expenses, and Changes in Net Position
(In thousands of dollars)

	Electric				Water				Combined			
	2025	2024	Dollar Change	Percent Change	2025	2024	Dollar Change	Percent Change	2025	2024	Dollar Change	Percent Change
Operating Revenues	$ 45,904	$ 44,179	$ 1,725	3.9%	$ 12,347	$ 12,129	$ 218	1.8%	$ 58,251	$ 56,308	$ 1,943	3.5%
Nonoperating Revenues	3,125	2,874	251	8.7%	955	700	255	36.4%	4,080	3,574	506	14.2%
Total Revenue	**$ 49,029**	**$ 47,053**	**$ 1,976**	**4.2%**	**$ 13,302**	**$ 12,829**	**$ 473**	**3.7%**	**$ 62,331**	**$ 59,882**	**$ 2,449**	**4.1%**
Operating Expense	$ 29,443	$ 27,901	$ 1,542	5.5%	$ 8,258	$ 8,664	($ 406)	-4.7%	$ 37,701	$ 36,565	$ 1,136	3.1%
Nonoperating Expenses	1,593	1,410	183	13.0%	578	526	52	9.9%	2,171	1,936	235	12.1%
Depreciation Expense	4,236	3,087	1,149	37.2%	2,574	2,381	193	8.1%	6,810	5,468	1,342	24.5%
Transfers to City	9,718	9,551	167	1.7%	741	732	9	1.2%	10,459	10,283	176	1.7%
Total Expenses	**$ 44,990**	**$ 41,949**	**$ 3,041**	**7.2%**	**$ 12,151**	**$ 12,303**	**($ 152)**	**-1.2%**	**$ 57,141**	**$ 54,252**	**$ 2,889**	**5.3%**
Income Before Capital Contributions	$ 4,039	$ 5,104	($ 1,065)	-20.9%	$ 1,151	$ 526	$ 625	118.8%	$ 5,190	$ 5,630	($ 440)	-7.8%
Capital Contributions	186	1,545	(1,359)	-88.0%	1,178	1,119	59	5.3%	1,364	2,664	(1,300)	-48.8%
Changes in Net Position	$ 4,225	$ 6,649	($ 2,424)	-36.5%	$ 2,329	$ 1,645	$ 684	41.6%	$ 6,554	$ 8,294	($ 1,740)	-56.6%
Beginning Net Position	**$ 90,050**	**$ 83,401**	**$ 6,649**	**8.0%**	**$ 60,673**	**$ 59,028**	**$ 1,645**	**2.8%**	**$ 150,723**	**$ 142,429**	**$ 8,294**	**5.8%**
Ending Net Position	**$ 94,275**	**$ 90,050**	**$ 4,225**	**4.7%**	**$ 63,002**	**$ 60,673**	**$ 2,329**	**3.8%**	**$ 157,277**	**$ 150,723**	**$ 6,554**	**4.3%**

CAPITAL ASSETS

Table 3, Capital Assets Net of Depreciation, summarizes 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 2025 were $161.8 million compared to $156.9 million at the end of 2024. Total capital assets increased $4.9 million, or 3.2%. Net capital assets of the Electric Fund increased by $2.6 million, or 3.3%. Net capital assets of the Water Fund increased by $2.3 million, or 3%.

After depreciation, the Electric Fund's net increase in capital assets included an increase in work-in-progress of $1.2 million and an overall increase of $1.4 million in total electric plant in-service assets.

After depreciation, the Water Fund's net increase in capital assets included an increase in work-in-progress of $100,000 and an overall increase of $2.2 million in total water plant in-service assets.

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

Table 3

MOORHEAD PUBLIC SERVICE

Capital Assets Net of Depreciation

Electric Fund	Balance 12/31/2025	Balance 12/31/2024	Increase (Decrease)	Percent
Plant in Service				
Land	$ 1,071,555	$ 1,071,555	$ -	0.0%
Miscellaneous Intangible Plant	156,285	259,629	(103,344)	-39.8%
Production Plant	4,118,626	4,356,566	(237,940)	-5.5%
Transmission Plant	33,701,375	34,616,518	(915,143)	-2.6%
Distribution Plant	34,327,905	32,215,307	2,112,598	6.6%
General Plant	8,557,227	8,025,832	531,395	6.6%
Total Electric Plant in Service	81,932,973	80,545,407	1,387,566	1.7%
Work-in-Progress	1,368,683	129,972	1,238,711	953.1%
Total Electric Capital Assets	$ 83,301,656	$ 80,675,379	$ 2,626,277	3.3%

Water Fund	Balance 12/31/2025	Balance 12/31/2024	Increase (Decrease)	Percent
Plant In Service				
Land	$ 979,967	$ 979,967	$ -	0.0%
Source of Supply	5,408,043	5,575,408	(167,365)	-3.0%
Water Treatment Plant	13,924,916	14,362,398	(437,482)	-3.0%
Transmission & Distribution Plant	56,425,603	53,527,443	2,898,160	5.4%
General Plant	1,134,454	1,209,741	(75,287)	-6.2%
Total Water Plant in Service	77,872,983	75,654,957	2,218,026	2.9%
Work-in-Progress	666,290	566,542	99,748	17.6%
Total Water Capital Assets	$ 78,539,273	$ 76,221,499	$ 2,317,774	3.0%

Consolidated				
Total MPS Capital Assets	$ 161,840,929	$ 156,896,878	$ 4,944,051	3.2%

LONG-TERM DEBT

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

The combined total long-term debt for 2025 decreased by $3.8 million to $58.3 million, or 6.1%. The net decrease resulted from payments made toward various bonds and notes used for past Electric and Water Fund projects, and decreases in MPS' net pension and Other Post-Employment Benefit (OPEB) liabilities. The Electric Fund's long-term debt decreased by $2.5 million, or 6.4%. The Water Fund's long-term debt decreased by $1.3 million, or 5.6%. Additional information on long-term debt can be found in Note 4 in the Notes to Financial Statements.

MPS reported $2.5 million as the combined net pension liability for the year ending December 31, 2025. This compares to $2.6 million reported as of December 31, 2024. Additional information on net pension liability debt can be found in Note 8 in the Notes to Financial Statements.

Table 4

MOORHEAD PUBLIC SERVICE

Long-Term Debt

Electric Fund

	Balance 12/31/2025	Balance 12/31/2024	Increase (Decrease)	Percent
OPEB Obligations	$ 115,549	$ 140,397	$ (24,848)	-17.7%
Net Pension Liability	1,498,739	1,578,722	(79,983)	-5.1%
Public Utility Revenue & Refunding Bonds	36,365,490	38,639,837	(2,274,347)	-5.9%
Total Long-Term Debt	37,979,778	40,358,956	(2,379,178)	-5.9%
Less: Current Portion				
Public Utility Revenue & Refunding Bonds	2,107,550	2,016,200	91,350	4.5%
Total Current Portion of Long-Term Debt	2,107,550	2,016,200	91,350	4.5%
Net Long-Term Debt	$ 35,872,228	$ 38,342,756	$ (2,470,528)	-6.4%

Water Fund

	Balance 12/31/2025	Balance 12/31/2024	Increase (Decrease)	Percent
OPEB Obligations	$ 77,032	$ 93,598	$ (16,566)	-17.7%
Net Pension Liability	999,159	1,052,481	(53,322)	-5.1%
Notes Payable	7,273,000	8,027,000	(754,000)	-9.4%
Public Utility Revenue & Refunding Bonds	15,311,999	15,762,184	(450,185)	-2.9%
Total Long-Term Debt	23,661,190	24,935,263	(1,274,073)	-5.1%
Less: Current Portion				
Notes Payable	762,000	754,000	8,000	1.1%
Public Utility Revenue & Refunding Bonds	472,450	413,800	58,650	14.2%
Total Current Portion of Long-Term Debt	1,234,450	1,167,800	66,650	5.7%
Net Long-Term Debt	$ 22,426,740	$ 23,767,463	$ (1,340,723)	-5.6%

Consolidated

Total MPS Net Long-Term Debt	$ 58,298,968	$ 62,110,219	$ (3,811,251)	-6.1%

CONTACTING MOORHEAD PUBLIC SERVICE'S FINANCIAL MANAGEMENT

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

MOORHEAD PUBLIC SERVICE
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Electric	Water	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	$ 9,560,837	$ 2,816,311	$ 12,377,148
Accounts receivable, net	2,626,238	648,174	3,274,412
Accounts receivable - unbilled revenues	3,004,892	819,138	3,824,030
Accrued interest receivable	233,497	62,069	295,566
Inventories	2,534,495	472,299	3,006,794
Prepaid items	87,857	58,457	146,314
Due from city funds	154,608	25,862	180,470
Due from others	540,250	-	540,250
	18,742,674	4,902,310	23,644,984
RESTRICTED ASSETS			
Revenue bond account	602,390	167,528	769,918
Bond reserve account	3,510,977	405,037	3,916,014
	4,113,367	572,565	4,685,932
OTHER ASSETS			
Notes receivable	108,047	-	108,047
Due from water fund	4,275,186	-	4,275,186
Bond operations and maintenance reserve	4,807,000	1,461,000	6,268,000
Other long-term investments	24,852,622	7,108,442	31,961,064
	34,042,855	8,569,442	42,612,297
CAPITAL ASSETS			
In-service	134,787,884	118,532,794	253,320,678
Land	1,071,555	979,967	2,051,522
Construction work-in-progress	1,368,683	666,290	2,034,973
	137,228,122	120,179,051	257,407,173
Less accumulated depreciation	53,926,466	41,639,778	95,566,244
	83,301,656	78,539,273	161,840,929
Total assets	140,200,552	92,583,590	232,784,142
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	4,666	3,111	7,777
Pension Plans	526,219	350,813	877,032
	530,885	353,924	884,809
Total assets and deferred outflows of resources	$ 140,731,437	$ 92,937,514	$ 233,668,951

	Electric	Water	Total
LIABILITIES			
CURRENT LIABILITIES			
Payable from current assets			
Accounts payable	$ 1,262,076	$ 554,999	$ 1,817,075
Power costs payable	2,134,230	-	2,134,230
Sales tax payable	188,562	-	188,562
Customer deposits	112,400	-	112,400
Compensated absences	834,144	556,096	1,390,240
Due to city funds	1,798,028	113,371	1,911,399
Due to electric fund	-	4,275,186	4,275,186
	6,329,440	5,499,652	11,829,092
Payable from restricted assets			
Accrued interest	230,764	90,461	321,225
Current maturities of notes	-	762,000	762,000
Current maturities of bonds payable	2,107,550	472,450	2,580,000
	2,338,314	1,324,911	3,663,225
LONG-TERM DEBT			
OPEB obligation	115,549	77,032	192,581
Net pension liability	1,498,739	999,159	2,497,898
Notes payable, less current maturities	-	6,511,000	6,511,000
Bonds payable, less current maturities	31,797,750	14,507,250	46,305,000
Premium on bonds payable	2,460,190	332,299	2,792,489
	35,872,228	22,426,740	58,298,968
Total liabilities	44,539,982	29,251,303	73,791,285
DEFERRED INFLOWS OF RESOURCES AND OTHER CREDITS			
OPEB	85,396	56,931	142,327
Pension plans	941,217	627,478	1,568,695
Other Deferred Credits	889,256	-	889,256
	1,915,869	684,409	2,600,278
Total liabilities and deferred inflows	46,455,851	29,935,712	76,391,563
NET POSITION			
NET POSITION			
Net investment in capital assets	46,936,165	55,954,273	102,890,438
Restricted for:			
Debt service	4,113,367	572,565	4,685,932
Unrestricted	43,226,054	6,474,964	49,701,018
Total net position	94,275,586	63,001,802	157,277,388
Total liabilities, net position and deferred inflows of resources	$ 140,731,437	$ 92,937,514	$ 233,668,951

MOORHEAD PUBLIC SERVICE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025

	Electric	Water	Total
OPERATING REVENUES			
Charges for services	$ 42,366,116	$ 12,321,104	$ 54,687,220
Other	3,537,940	25,483	3,563,423
Total operating revenues	45,904,056	12,346,587	58,250,643
OPERATING EXPENSES			
Purchased power	18,965,666	-	18,965,666
Production of power	207,622	-	207,622
Transmission	2,391,010	-	2,391,010
Distribution	3,625,431	1,450,615	5,076,046
Source of supply and pumping	-	375,815	375,815
Water treatment	-	4,212,437	4,212,437
Customer accounts	809,478	358,895	1,168,373
Administrative	3,444,233	1,860,180	5,304,413
Depreciation and amortization	4,235,787	2,574,203	6,809,990
Total operating expenses	33,679,227	10,832,145	44,511,372
OPERATING INCOME	12,224,829	1,514,442	13,739,271
NONOPERATING REVENUES (EXPENSES)			
Interest income and market adjustments	2,407,088	591,971	2,999,059
Gain (loss) on sale/disposal of capital assets	(109,555)	-	(109,555)
Other income	718,118	362,269	1,080,387
Interest expense	(1,483,072)	(578,068)	(2,061,140)
Total nonoperating revenues (expenses)	1,532,579	376,172	1,908,751
INCOME BEFORE TRANSFERS AND CONTRIBUTED CAPITAL	13,757,408	1,890,614	15,648,022
TRANSFERS OUT TO OTHER FUNDS			
City general fund	(7,600,000)	(615,187)	(8,215,187)
City economic development fund	(50,000)	-	(50,000)
City capital improvement fund	(2,068,055)	(126,000)	(2,194,055)
Total transfers out	(9,718,055)	(741,187)	(10,459,242)
CONTRIBUTION OF CAPITAL ASSETS	185,756	1,178,215	1,363,971
CHANGE IN NET POSITION	4,225,109	2,327,642	6,552,751
NET POSITION, BEGINNING OF YEAR	90,050,477	60,674,160	150,724,637
NET POSITION, END OF YEAR	$ 94,275,586	$ 63,001,802	$ 157,277,388

MOORHEAD PUBLIC SERVICE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

	Electric	Water	Total
OPERATING ACTIVITIES			
Receipts from customers and users	$ 46,649,676	$ 12,710,905	$ 59,360,581
Payments to suppliers	(27,867,950)	(6,109,820)	(33,977,770)
Payments related to employees	(3,677,598)	(2,015,756)	(5,693,354)
NET CASH FROM OPERATING ACTIVITIES	15,104,128	4,585,329	19,689,457
NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(9,718,055)	(741,187)	(10,459,242)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(9,718,055)	(741,187)	(10,459,242)
INVESTING ACTIVITIES			
Interest received and market adjustments	2,432,168	589,390	3,021,558
Purchase of investments	-	(10,809)	(10,809)
Proceeds from the sale of investments	4,756,872	808,819	5,565,691
NET CASH FROM INVESTING ACTIVITIES	7,189,040	1,387,400	8,576,440
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(6,862,064)	(3,871,862)	(10,733,926)
Debt service - principal	(2,016,200)	(1,167,800)	(3,184,000)
Debt service - interest and fees	(1,495,752)	(561,246)	(2,056,998)
Debt service - premiums and discounts	(258,147)	(36,385)	(294,532)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(10,632,163)	(5,637,293)	(16,269,456)
NET CHANGE IN CASH BALANCE	1,942,950	(405,751)	1,537,199
CASH BALANCE, JANUARY 1	7,617,887	3,222,062	10,839,949
CASH BALANCE, DECEMBER 31	$ 9,560,837	$ 2,816,311	$ 12,377,148

	Electric	Water	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	$ 12,224,829	$ 1,514,442	$ 13,739,271
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization	4,235,787	2,574,203	6,809,990
Other income	718,118	362,269	1,080,387
Loss related to sale of assets	(109,555)	-	(109,555)
Increase (decrease) in other deferred credits	(172,114)	-	(172,114)
Customer contributions to capital assets	185,756	158,100	343,856
Change in assets and liabilities			
Receivables	133,752	(156,051)	(22,299)
Inventories	(316,424)	(45,921)	(362,345)
Prepaid items	(34,917)	(24,124)	(59,041)
Notes receivable	(94,993)	94,105	(888)
Due from city	(4,008)	(16,151)	(20,159)
Due from others	(1,577,168)	-	(1,577,168)
Accounts payable	486,019	(53,318)	432,701
Due to others	(337,589)	333,351	(4,238)
Pension liability and related deferred inflows and ouflows of resources	(286,870)	(191,246)	(478,116)
OPEB liability and related deferred inflows and ouflows of resources	(10,121)	(6,748)	(16,869)
Compensated Absences	63,626	42,418	106,044
NET CASH FROM OPERATING ACTIVITIES	$ 15,104,128	$ 4,585,329	$ 19,689,457
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Increase (decrease) in other deferred credits	$ (172,114)	$ -	$ (172,114)
Changes in capital assets through contributed capital	$ -	$ 1,020,115	$ 1,020,115

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Reporting Entity

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

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

1. Able to impose its will on that organization, or

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Moorhead Public Service reports the following major proprietary funds:

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

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

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

Cash and Equivalents

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

Receivable and Credit Policy

Moorhead Public Service's trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 22 days from the invoice date. In 2025, customers were charged a one-time 1% fee for late payments.

The receivables are non-interest-bearing. Payments on trade receivables are applied to the oldest unpaid invoices. All trade receivables are shown net of an allowance for uncollectible accounts. These allowances are equal to estimated losses that may be incurred in the collection of outstanding receivables. At the end of 2025, the allowances for uncollectible accounts were $5,940 for electric fund receivables and $1,910 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, replacements, and renewals of items determined to be less than units of property are charged to maintenance expense.

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

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

Investments

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

Inventories

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

Prepaid Items

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

Compensated Absences

It is Moorhead Public Service's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. All employees are entitled to vacation time with pay based on the length of continuous service. Administrative employees do not have a ceiling on the total vacation hours that may be accrued throughout the year, but their maximum carry-forward at year-end is 300 hours. Union employees are allowed to carry over their current-year accrual plus 80 hours of their prior-year accrual, of which 40 hours must be used before April 1 of the following year. Employees shall be entitled to up to 70% of their accrued sick pay, up to a maximum of 910 hours, if they terminate employment for one of these four conditions: retirement, disability, survivor, or honorable conditions (defined as at least 25 years of service with good standing).

Revenue Recognition

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

Power & Transmission Costs

Monthly billings from the wholesale power supplier for power and transmission costs are reflected in the accounts by the end of the month.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as occurring on employer payroll pay dates, while 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 may include 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 may include 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 pension 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 defined as the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

Implementation of GASB Statement No. 102

As of January 1, 2025, Moorhead Public Services adopted GASB Statement No. 102, Certain Risk Disclosures, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There were no additional disclosures required as a result of the implementation.

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, all of which 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 by a financial institution other than the one that furnished the collateral. As of December 31, 2025, 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 is 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 credit risk exposure. Moorhead Public Service's investments in the U.S. government bonds and money market funds are not rated.

Investments

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

As of December 31, 2025, Moorhead Public Service had the following investments and maturities:

Restricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	$ 4,164,238	$ -	$ 4,164,238	$ -	$ -	$ -
Money Market Funds	521,694	521,694	-	-	-	-
Total Restricted Investments	$ 4,685,932	$ 521,694	$ 4,164,238	$ -	$ -	$ -

Unrestricted		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Government Bonds	$ 38,229,041	$ -	$ 5,869,165	$ 23,154,288	$ 9,177,767	$ 27,821
Money Market Funds	23	23	-	-	-	-
Total Unrestricted Investments	$ 38,229,064	$ 23	$ 5,869,165	$ 23,154,288	$ 9,177,767	$ 27,821

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 determine the asset's fair value. 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, 2025, all of Moorhead Public Service's investments are valued using quoted market prices (Level 1 inputs).

Restricted Assets

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

1. A revenue bond account that will be used to pay bond principal and interest. This account is funded by an irrevocable monthly pledge equal to 1/12 of the interest and principal due over 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. A bond proceeds account is set up to record the unexpended bond proceeds. At the end of 2025, MPS did not have any unexpended bond proceeds.

As of December 31, 2025, Moorhead Public Service was in compliance with all bond resolutions.

NOTE 3 – CAPITAL ASSETS

Capital assets for the Electric Fund are as follows:

Electric Fund	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,071,555	$ -	$ -	$ 1,071,555
Construction work-in-progress	129,972	7,072,725	5,834,014	1,368,683
	1,201,527	7,072,725	5,834,014	2,440,238
Capital assets, being depreciated:				
Miscellaneous intangible plant	1,288,813	-	-	1,288,813
Production plant	8,854,629	-	-	8,854,629
Transmission plant	42,471,735	346,220	-	42,817,955
Distribution plant	60,424,387	3,948,151	914,923	63,457,615
General plant	17,131,416	1,539,643	302,187	18,368,872
	130,170,980	5,834,014	1,217,110	134,787,884
Less accumulated depreciation for:				
Miscellaneous intangible plant	1,029,184	103,344	-	1,132,528
Production plant	4,498,063	237,940	-	4,736,003
Transmission plant	7,855,217	1,261,363	-	9,116,580
Distribution plant	28,209,080	1,682,491	761,861	29,129,710
General plant	9,105,584	950,649	244,588	9,811,645
	50,697,128	4,235,787	1,006,449	53,926,466
Total capital assets, being depreciated, net	79,473,852	1,598,227	210,661	80,861,418
Capital assets, net	$ 80,675,379	$ 8,670,952	$ 6,044,675	$ 83,301,656

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	566,542	4,891,977	4,792,229	666,290
	1,546,509	4,891,977	4,792,229	1,646,257
Capital assets, being depreciated:				
Source of supply plant structure and improvements	12,154,043	99,188	-	12,253,231
Pumping plant	30,914	-	-	30,914
Water treatment plant	25,464,020	108,482	-	25,572,502
Transmission and distribution plant	72,846,209	4,443,339	471,197	76,818,351
General plant	3,724,876	141,220	8,300	3,857,796
	114,220,062	4,792,229	479,497	118,532,794
Less accumulated depreciation for:				
Source of supply plant structure and improvements	6,578,635	266,553	-	6,845,188
Pumping plant	30,914	-	-	30,914
Water treatment plant	11,101,622	545,964	-	11,647,586
Transmission and distribution plant	19,318,766	1,545,179	471,197	20,392,748
General plant	2,515,135	216,507	8,300	2,723,342
	39,545,072	2,574,203	479,497	41,639,778
Total capital assets, being depreciated, net	74,674,990	2,218,026	-	76,893,016
Capital assets, net	$ 76,221,499	$ 7,110,003	$ 4,792,229	$ 78,539,273

NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in debt for Moorhead Public Service as of December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Long-Term After One Year	Due Within One Year
Compensated Absences, net	$ 1,284,196	$ 106,044	$ -	$ 1,390,240	$ -	$ 1,390,240
Notes Payable	8,027,000	-	754,000	7,273,000	6,511,000	762,000
Public Utility Revenue & Refunding Bonds						
Series 2007A	1,360,000	-	520,000	840,000	290,000	550,000
Series 2009A	-	-	-	-	-	-
Series 2012E	1,080,000	-	350,000	730,000	370,000	360,000
Series 2016A	8,570,000	-	620,000	7,950,000	7,305,000	645,000
Series 2020A	13,730,000	-	70,000	13,660,000	13,550,000	110,000
Series 2024A	26,575,000	-	870,000	25,705,000	24,790,000	915,000
Plus unamortized premium	3,087,021	-	294,532	2,792,489	2,729,297	63,192
	$ 63,713,217	$ 106,044	$ 3,478,532	$ 60,340,729	$ 55,545,297	$ 4,795,432

Notes Payable

The following is a summary of notes payable for the year ended December 31, 2025:

	Water
Minnesota Public Facilities Authority	
Drinking Water SRF Bond Fund Loan	
MPFA-09-0036-R-FY15	$ 5,968,000
MPFA-DWRF-L-0006-FY16	1,305,000
	7,273,000
Less current maturities	(762,000)
	$ 6,511,000

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

	Water Principal	Water Interest
2026	$ 762,000	$ 73,924
2027	770,000	66,176
2028	777,000	58,348
2029	784,000	50,448
2030	793,000	42,476
2031-2035	3,387,000	89,796
	$ 7,273,000	$ 381,168

Revenue & Refunding Bonds

The following is a summary of bonds payable for the year ended December 31, 2025:

	Interest Rates	Electric	Water	Total
Public Utility Revenue & Refunding Bonds				
Series 2007A	5.17%	$ 394,800	$ 445,200	$ 840,000
Series 2012E	2.0% - 3.0%	730,000	-	730,000
Series 2016A	2.0% - 4.0%	7,075,500	874,500	7,950,000
Series 2020A	2.0% - 5.0%	-	13,660,000	13,660,000
Series 2024A	4.0% - 5.0%	25,705,000	-	25,705,000
		33,905,300	14,979,700	48,885,000
Less current maturities		(2,107,550)	(472,450)	(2,580,000)
Net bonds payable, less current maturities		31,797,750	14,507,250	46,305,000
Plus unamortized discount or premium		2,460,190	332,299	2,792,489
		$ 34,257,940	$ 14,839,549	$ 49,097,489

As of December 31, 2025, Moorhead Public Service was in compliance with all significant limitations and restrictions contained in the various bond indentures. Assets restricted by the provisions of the bond resolutions are set forth in Note 2.

The net revenues of Moorhead Public Service are pledged as security for these debts. The bonds call for semiannual interest payments and annual principal payments on various dates through 2044. Principal and interest repayments on the bond debt through maturity are as follows:

	Electric		Water	
	Principal	Interest	Principal	Interest
2026	$ 2,107,550	$ 1,403,427	$ 472,450	$ 416,162
2027	2,053,700	1,320,990	536,300	392,998
2028	1,601,300	1,245,709	558,700	371,047
2029	1,669,650	1,182,788	585,350	345,231
2030	1,733,000	1,116,070	612,000	318,036
2031-2035	9,799,750	4,449,178	4,025,250	1,311,809
2036-2040	8,950,350	2,332,448	8,189,650	621,284
2041-2043	5,990,000	487,000	-	
	$ 33,905,300	$ 13,537,610	$ 14,979,700	$ 3,776,567

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, 2025, are as follows:

	Purpose	Pledged Revenue Source	Approximate Amount of Revenue Pledged	Final Maturity Date	Issue Amount	Principal and Interest Paid Current Year	Net Revenues	Total Principal and Interest Remaining
Business-type activities								
Revenue Bonds and Notes								
Series 2007A	System Construction	Utility Revenues	9%	2027	$ 7,245,000	$ 587,048	$ 6,552,751	$ 889,515
Series 2012E	System Construction	Utility Revenues	6%	2027	4,570,000	382,400	6,552,751	763,000
Series 2016A	System Construction	Utility Revenues	13%	2036	12,730,000	838,831	6,552,751	9,228,187
Series 2020A	System Construction	Water Revenues	19%	2040	13,985,000	447,075	2,327,642	17,269,725
Series 2024A	System Construction	Utility Revenues	32%	2043	27,810,000	2,103,500	6,552,751	38,048,750

NOTE 5 - OPEB OBLIGATIONS

A. Plan Description

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

B. Benefits Provided

Moorhead Public Service provides access to the contract group's other post-retirement benefits, including blended medical premiums of $836 for single and $1,576 for Employee plus Spouse coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life benefits.

C. Employees Covered by Benefit Terms

At the valuation date of January 1, 2023, used for actual valuation reporting for the fiscal year ending December 31, 2025 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	54
Total	54

D. Total OPEB Liability

Moorhead Public Service's total OPEB liability of $192,581 for December 31, 2025, was measured as of January 1, 2025, and was determined by an actuarial valuation as of January 1, 2025.

E. Actuarial Assumptions

The total OPEB liability in the January 1, 2025, actuarial valuation used for reporting OPEB obligations as of December 31, 2025, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%	
Salary increases	Per service graded table	
Discount Rate	4.20%	
Healthcare cost trend rates	6.25% 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%

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 used to pay benefits as they come due.

Mortality rates used were based on Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2025, valuation for the year ending December 31, 2025, were based on the results of an actuarial experience study as of January 1, 2025.

F. Changes in the Total OPEB Liability

Balance at December 31, 2024	$ 233,995
Changes from the Prior Year:	
Service Cost	16,514
Interest Cost	9,784
Assumption Changes	(37,235)
Differences between Expected and Actual Experience	(18,531)
Benefit Payments	(11,946)
Balance at December 31, 2025	$ 192,581

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 Discount Rate	Discount Rate	1% Increase in Discount Rate
Total OPEB Liability	$ 212,032	$ 192,581	$ 174,513
Discount Rate	3.20%	4.20%	5.20%

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	$ 165,389	$ 192,581	$ 225,401
Healthcare Trend Rate	5.25%, grading to 4.00% over 6 years and then to 3.00% over the next 48 years	6.25%, grading to 5.00% over 6 years and then to 4.00% over the next 48 years	7.25%, grading to 6.00% over 6 years and then to 5.00% over the next 48 years

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

For the year ended December 31, 2025, Moorhead Public Service recognized an OPEB expense of $14,289. At December 31, 2025, Moorhead Public Service had $7,777 in deferred outflows of resources related to OPEB and $142,327 in deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Liability Losses	$ -	$ -
Liability Gains	-	80,546
Assumption Changes	5,198	61,781
Investment Gains	-	N/A
Investment Losses	N/A	-
Contributions Subsequent to Measurement Date	2,579	-
Total	$ 7,777	$ 142,327

Future Recognition of Deferred Flows in OPEB Expense	
a. December 31, 2026	$ (40,585)
b. December 31, 2027	(29,307)
c. December 31, 2028	(17,771)
d. December 31, 2029	(17,771)
e. December 31, 2030	(17,761)
e. December 31, 2031	(6,972)
f. Thereafter	(6,962)
	(137,129)

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, 2025, is as follows:

Payable	Amount
Electric Fund - Due to City of Moorhead's General, Capital Improvement, Economic Development, Sanitation, and Wastewater Funds	$ 1,798,028
Water Fund - Due to Moorhead Public Service Electric Fund	$ 4,275,186
Water Fund - Due to City of Moorhead General Fund	113,371
Total Water Fund Due to Other Funds	$ 4,388,557

Receivable	Amount
Electric Fund - Due from City of Moorhead General Fund	$ 154,608
Electric Fund - Due from Moorhead Public Service Water Fund	4,275,186
Total Electric Fund Due from Other Funds	$ 4,429,794
Water Fund - Due from City of Moorhead General Fund	$ 25,862

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.

In 2024, the Moorhead City Council and Moorhead Public Service Commission entered into a three-year extension to the original 2014 Electric Fund Transfer Agreement (Transfer Agreement) that was originally for the years 2015 to 2018. The extension will be in effect for the years 2024 through 2026. 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 is based on a Net Revenue Transfer Multiplier applied to net kilowatt-hour sales from the year two years prior, subject to a base transfer floor.

In 2025, the Electric Fund transferred the base transfer of $7,600,000 to the General Fund, $2,068,055 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 2025, the Water Fund transferred $615,187, or roughly 5%, of its gross income net of certain revenues exempted from the calculation by the City Council to the General Fund and $126,000 to the Capital Improvement Fund.

Appropriation Transfers - Electric Fund	2025
City General Fund	$ 7,600,000
City Capital Improvement Fund	2,068,055
City Economic Development Fund	50,000
Total	$ 9,718,055

Appropriation Transfers - Water Fund	2025
City General Fund	$ 615,187
City Capital Improvement Fund	126,000
Total	$ 741,187

NOTE 8 - PENSION PLAN

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 (General Plan) which is a cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines the plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

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

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and Moorhead Public Service was required to contribute 7.50% for General Plan members. Moorhead Public Service's contributions to the General Employees Fund for the year ended December 31, 2025, were $ 529,275. Moorhead Public Service's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2025, MPS reported a liability of $2,497,898 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 $60,257.

MPS' proportionate share of the net pension liability	$	2,497,898
State of Minnesota's proportionate share of the net pension liability associated with MPS		60,257
Total	$	2,558,155

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MPS's proportion of the net pension liability was based on the MPS's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. MPS's proportionate share was .0754% at the end of the measurement period and .0712% for the beginning of the period.

For the year ended December 31, 2025, MPS recognized pension expense of $9,243 for its proportionate share of the General Employees Plan's pension expense. In addition, MPS recognized an additional $41,589 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, 2025, the MPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 237,995	$ -
Changes in actuarial assumptions	-	993,937
Net collective difference between projected and actual investment earnings	60,185	574,758
Changes in proportion	305,017	-
Contributions paid to PERA subsequent to the measurement date	273,835	-
Total	$ 877,032	$ 1,568,695

The $273,835 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2026	$ (138,776)
2027	(367,627)
2028	(281,541)
2029	(177,554)
Total	$ (965,498)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan, and benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. 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:

	1% Lower	Current Discount Rate	1% Higher
General Employees Fund Discount Rate	6.00%	7.00%	8.00%
Moorhead Public Service's proportionate share of GERF net pension liability	$ 6,067,001	$ 2,497,898	$ (397,449)

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.

NOTE 10 - COMMITMENTS

Wholesale Power Agreements

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

The municipality is also committed to purchasing 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 December 2023, the MPS Commission approved a contract with WESCO to oversee a project to upgrade MPS' existing metering system for both water and electric services from Automated Meter Reading (AMR) to Advanced Metering Infrastructure (AMI). Initial metering materials and technology components for the project were purchased in 2024. Installation and testing of new meters and reading infrastructure were started in early 2025. At the end of 2025, just over 17.3% of all water meters had been converted, while just over 40% of all electric, demand, and dual fuel meters had been converted.

The AMI conversion project was originally expected to be completed in late 2026 at an estimated cost of $13.5 million. However, based on actual conversions completed in 2025, the project is now expected to be completed sometime in late 2027 or early 2028.

REQUIRED SUPPLEMENTARY INFORMATION

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

	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Service cost	$ 16,514	$ 22,201	$ 21,554	$ 30,327	$ 29,444	$ 33,344	$ 27,943	$ 31,306
Interest Cost	9,784	9,138	6,119	6,235	11,700	14,341	15,515	15,851
Changes in assumptions	(37,235)	0	(33,467)	0	(26,325)	20,804	(6,128)	0
Differences between Expected and Actual Experience	(18,531)	0	(52,915)	0	(72,618)	0	(84,126)	0
Benefit payments	(11,946)	(7,118)	(31,658)	(35,492)	(34,020)	(42,921)	(59,686)	(48,391)
Net change in total OPEB liability	$ (41,414)	$ 24,221	$ (90,367)	$ 1,070	$ (91,819)	$ 25,568	$ (106,482)	$ (1,234)
Total OPEB Liability - beginning	$ 233,995	$ 209,774	$ 300,141	$ 299,071	$ 390,890	$ 365,322	$ 471,804	$ 473,038
Total OPEB Liability - ending	$ 192,581	$ 233,995	$ 209,774	$ 300,141	$ 299,071	$ 390,890	$ 365,322	$ 471,804
Covered employee payroll	$ 5,764,762	$ 5,285,542	$ 5,131,594	$ 4,674,070	$ 4,537,932	$ 4,638,093	$ 4,503,003	$ 4,375,925
Total OPEB liability as a percentage of covered employee payroll	3.0%	4.0%	4.0%	6.0%	7.0%	8.0%	8.0%	10.8%

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

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

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

2025 Changes

Benefit Changes

- For the year ending December 31, 2025: None.

Assumption Changes

- For the fiscal year ending December 31, 2025:
  - The health care trend rates were updated.
  - The retirement, withdrawal, and salary increase rates were updated to reflect the latest experience study.
  - The discount rate was changed from 4.00% to 4.20%.

2024 Changes

Benefit Changes

- For the year ending December 31, 2024: None.

Assumption Changes

- For the fiscal year ending December 31, 2024: None.

2023 Changes

Benefit Changes

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

Assumption Changes

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

2022 Changes

Benefit Changes

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

Assumption Changes

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

2021 Changes

Benefit Changes

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

Assumption Changes

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

2020 Changes

Benefit Changes

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

Assumption Changes

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

2019 Changes

Benefit Changes

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

Assumption Changes

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

MOORHEAD PUBLIC SERVICE
SCHEDULE OF CHANGES TO TOTAL PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2025

Schedule of Employer's Share of Net Pension Liability

Pension Plan	Measurement Date	Proportion (Percentage) of the Net Pension Liability	Employer's Share (Amount) of the Net Pension Liability (a)	Proportionate Share (Amount) Pension Liability Associated With MPS (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net as a Percentage of its Covered-Employee Payroll (a/d)	Net Position as a Percentage of the Total Pension Liability
GERF	6/30/2025	0.0754%	$ 2,497,898	$ 60,257	$ 2,558,155	$ 7,056,991	275.9%	90.8%
GERF	6/30/2024	0.0712%	2,631,203	68,038	2,699,241	6,438,554	238.5%	89.1%
GERF	6/30/2023	0.0685%	3,830,443	105,610	3,936,053	5,723,329	145.4%	83.1%
GERF	6/30/2022	0.0659%	5,219,302	152,942	5,372,244	5,173,015	96.3%	76.7%
GERF	6/30/2021	0.0664%	2,835,577	86,558	2,922,135	5,009,349	171.4%	79.6%
GERF	6/30/2020	0.0731%	4,382,679	135,049	4,517,728	4,905,566	108.6%	79.6%
GERF	6/30/2019	0.0708%	3,914,373	121,661	4,036,034	5,308,088	131.5%	80.2%
GERF	6/30/2018	0.0712%	3,949,884	129,501	4,079,385	4,484,756	109.9%	79.5%
GERF	6/30/2017	0.0715%	4,564,514	57,367	4,621,881	7,092,367	153.5%	75.9%
GERF	6/30/2016	0.0706%	5,732,370	74,844	5,807,214	6,476,607	111.5%	68.9%

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes

Changes in Actuarial Assumptions

The following changes in assumptions are effective with the July 1, 2024, valuation, as recommended in the most recent experience study (dated June 29, 2023):

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

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- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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	12/31/2025	$ 512,003	$ 512,003	$ -	$ 6,826,707	7.5%
GERF	12/31/2024	451,779	451,779	-	6,023,720	7.5%
GERF	12/31/2023	408,577	408,577	-	5,447,693	7.5%
GERF	12/31/2022	370,291	370,291	-	4,937,213	7.5%
GERF	12/31/2021	358,277	358,277	-	4,777,027	7.5%
GERF	12/31/2020	369,839	369,839	-	4,931,187	7.5%
GERF	12/31/2019	376,011	376,011	-	5,013,480	7.5%
GERF	12/31/2018	358,722	358,722	-	4,782,960	7.5%
GERF	12/31/2017	345,294	345,294	-	4,603,920	7.5%
GERF	12/31/2016	335,637	335,637	-	4,475,155	7.5%
GERF	12/31/2015	311,115	311,115	-	4,148,200	7.5%

OTHER SUPPLEMENTARY INFORMATION

MOORHEAD PUBLIC SERVICE
ANALYSIS OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION/AMORTIZATION
YEAR ENDED DECEMBER 31, 2025

	Electric Capital Assets			
	Balance 12/31/2024	Additions	Retirements	Balance 12/31/2025
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	7,314,122	-	-	7,314,122
Accessory electric equipment	221,092	-	-	221,092
Wind turbine	1,319,415	-	-	1,319,415
	8,854,629	-	-	8,854,629
Transmission plant land				
Land	149,636	-	-	149,636
Transmission plant				
Structures and improvements	42,471,735	346,220	-	42,817,955
	42,471,735	346,220	-	42,817,955
Distribution plant				
Station equipment	10,583,694	70,515	-	10,654,209
Poles, towers, and fixtures	2,402,923	-	5,435	2,397,488
Underground conduit	27,722,150	935,241	65,200	28,592,191
Line transformers	10,070,406	1,013,179	53,770	11,029,815
Services	1,906,102	-	-	1,906,102
Meters	5,416,888	1,857,557	790,518	6,483,927
Installations on customer premises	220,642	-	-	220,642
Street lighting and signal systems	2,101,582	71,659	-	2,173,241
	60,424,387	3,948,151	914,923	63,457,615
General plant				
Structures and Improvements	4,501,116	407,309	-	4,908,425
Office furniture and equipment	4,294,604	651,634	-	4,946,238
Transportation equipment	3,891,765	480,700	302,187	4,070,278
Stores equipment	3,681	-	-	3,681
Tools, shop, and garage equipment	329,622	-	-	329,622
Communication equipment	4,110,628	-	-	4,110,628
	17,131,416	1,539,643	302,187	18,368,872
Total electric plant in service	131,242,535	5,834,014	1,217,110	135,859,439
CONSTRUCTION WORK-IN-PROGRESS	129,972	7,072,725	5,834,014	1,368,683
	$ 131,372,507	$ 12,906,739	$ 7,051,124	$ 137,228,122

Annual Depreciation Amortization Rates		Accumulated Depreciation/Amortization: Balance 12/31/2024	Provision	Retirements	Balance 12/31/2025	Percent of Depreciation Amortization to Plant
10.0 - 12.5	%	$ 1,029,184	$ 103,344	$ -	$ 1,132,528	87.87%
		-	-	-	-	-
2		3,338,616	193,993	-	3,532,609	48.30%
3		221,092	-	-	221,092	100.00%
3		938,355	43,947	-	982,302	74.45%
		4,498,063	237,940	-	4,736,003	
		-	-	-	-	-
3		7,855,217	1,261,363	-	9,116,580	21.29%
		7,855,217	1,261,363	-	9,116,580	
2		6,513,734	277,049	-	6,790,783	63.74%
3		2,197,721	11,184	5,435	2,203,470	91.91%
2		12,422,999	815,206	65,200	13,173,005	46.07%
3		3,301,829	315,126	53,770	3,563,185	32.31%
3		1,458,149	25,882	-	1,484,031	77.86%
4		1,109,845	191,547	637,456	663,936	10.24%
4		127,473	4,593	-	132,066	59.86%
3		1,077,330	41,904	-	1,119,234	51.50%
		28,209,080	1,682,491	761,861	29,129,710	
10		1,528,857	119,859	-	1,648,716	33.59%
10		1,789,708	430,419	-	2,220,127	44.89%
5 - 25		1,932,640	270,507	244,588	1,958,559	48.12%
10		3,681	-	-	3,681	100.00%
10		320,225	2,349	-	322,574	97.86%
6		3,530,473	127,515	-	3,657,988	88.99%
		9,105,584	950,649	244,588	9,811,645	
		50,697,128	4,235,787	1,006,449	53,926,466	
		-	-	-	-	
		$ 50,697,128	$ 4,235,787	$ 1,006,449	$ 53,926,466	

MOORHEAD PUBLIC SERVICE
ANALYSIS OF CAPITAL ASSETS AND ACCUMULATED DEPRECIATION/AMORTIZATION
YEAR ENDED DECEMBER 31, 2025

	Water Capital Assets			
PLANT IN SERVICE	Balance 12/31/2024	Additions	Retirements	Balance 12/31/2025
Land	$ 979,967	$ -	$ -	$ 979,967
Source of supply plant				
structures and improvements	12,154,043	99,188	-	12,253,231
Pumping plant	30,914	-	-	30,914
Water treatment plant	25,464,020	108,482	-	25,572,502
Transmission and distribution plant				
Towers	5,735,529	-	-	5,735,529
Mains	61,582,531	3,029,897	41,163	64,571,265
Meters	5,528,149	1,413,442	430,034	6,511,557
	72,846,209	4,443,339	471,197	76,818,351
General plant				
Office furniture and equipment	90,129	-	-	90,129
Transportation equipment	1,666,538	134,161	8,300	1,792,399
Tools, shop, and garage equipment	151,540	-	-	151,540
Laboratory equipment	493,187	7,059	-	500,246
SCADA equipment	1,323,482	-	-	1,323,482
	3,724,876	141,220	8,300	3,857,796
Total water plant in service	115,200,029	4,792,229	479,497	119,512,761
CONSTRUCTION WORK-IN-PROGRESS	566,542	4,891,977	4,792,229	666,290
	$ 115,766,571	$ 9,684,206	$ 5,271,726	$ 120,179,051

Annual Depreciation Amortization Rates		Accumulated Depreciation/Amortization Balance 12/31/2024	Provision	Retirements	Balance 12/31/2025	Percent of Depreciation Amortization to Plant
	%	$ -	$ -	$ -	$ -	0.0%
2 - 25		6,578,635	266,553	-	6,845,188	55.9%
2		30,914	-	-	30,914	100.0%
2 - 3		11,101,622	545,964	-	11,647,586	45.5%
2		1,203,200	114,710	-	1,317,910	23.0%
2		16,862,863	1,260,840	41,163	18,082,540	28.0%
3		1,252,703	169,629	430,034	992,298	15.2%
		19,318,766	1,545,179	471,197	20,392,748	
10		68,550	6,698	-	75,248	83.5%
12		986,035	130,736	8,300	1,108,471	61.8%
5		147,690	1,490	-	149,180	98.4%
10		423,115	13,558	-	436,673	87.3%
14		889,745	64,025	-	953,770	72.1%
		2,515,135	216,507	8,300	2,723,342	
		39,545,072	2,574,203	479,497	41,639,778	
		-	-	-	-	
		$ 39,545,072	$ 2,574,203	$ 479,497	$ 41,639,778	

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

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and each major fund of Moorhead Public Service, a component unit of the City of Moorhead, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Moorhead Public Service's basic financial statements and have issued our report thereon dated May 4, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Moorhead Public Service's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moorhead Public Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Denver, Colorado
May 4, 2026

Report on *Minnesota Legal Compliance*

To the Public Service Commission
Moorhead Public Service
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Moorhead Public Service, Minnesota, as of and for the year ended December 31, 2025, 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 4, 2026.

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.

Eide Bailly LLP

Denver, Colorado
May 4, 2026

MOORHEAD PUBLIC SERVICE
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2025

FINANCIAL STATEMENT FINDINGS

None reported.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None reported.