WE POWER ON

Northern Municipal Power Agency

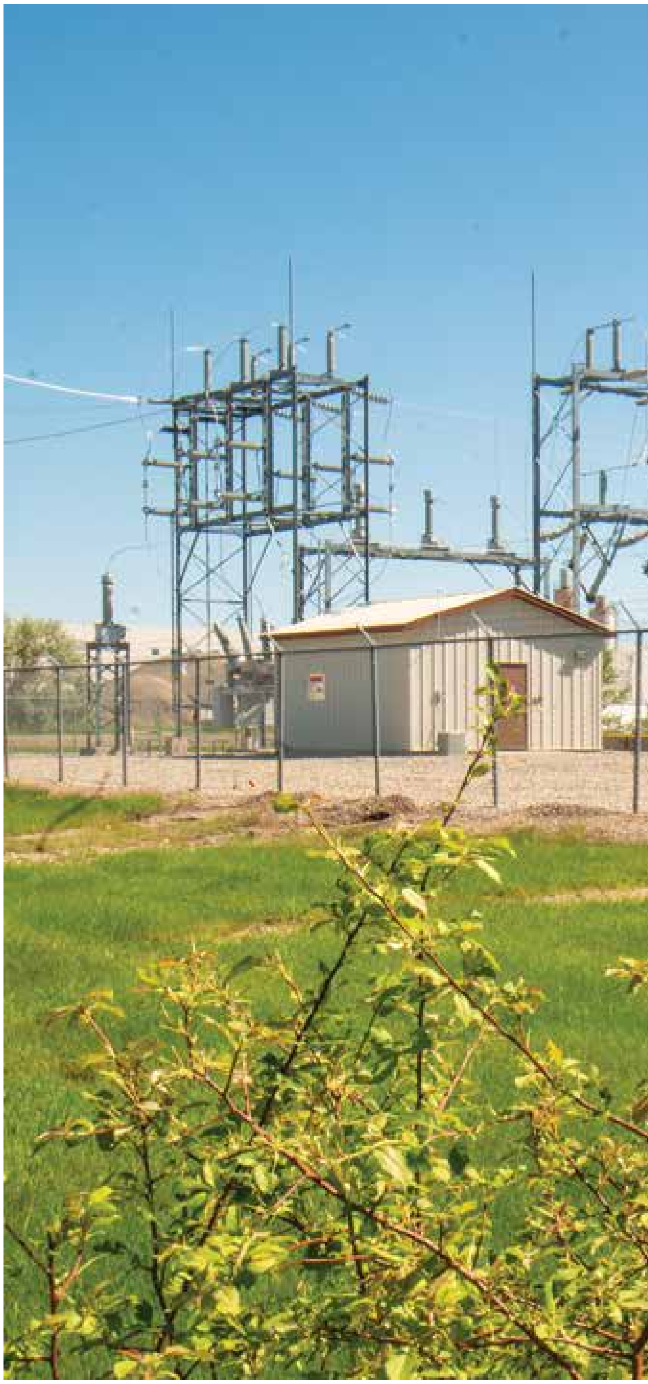
2020 Annual Report

AGENCY PROFILE

Founded in 1976, the Northern Municipal Power Agency (NMPA) is the energy supplier for 12 municipal utilities in eastern North Dakota and northwestern Minnesota. Each of the participants has a representative on the NMPA Board of Directors.

The Agency owns a 30% share of the 427,000-kilowatt Coyote Station located near Beulah in western North Dakota. NMPA also owns a load-ratio share (approximately 15%) of the Minnkota Power Cooperative, Inc. transmission system. Minnkota of Grand Forks, N.D., is the operating agent for NMPA and markets capacity and energy from the Coyote Station not required by NMPA members.

The NMPA headquarters building is located in Thief River Falls, Minn.



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ON THE COVER

Top: A family enjoys the skating and sledding possibilities of the Riverbend Skate Path, a 2.5-mile ice path project in Warroad, Minn. The concept was spurred by the closing of indoor ice rinks during the pandemic, and it led to national media coverage and a boost to city tourism. Bottom: An evening view of Grafton, N.D., one of several Northern Municipal Power Agency communities that powered through the COVID-19 crisis.

In 2020, Minnkota crews completed an expansion of the existing Anderson substation in Thief River Falls, Minn., which will support the growth of Digi-Key and other areas of the community.

Lucas Spaeth
President

Jasper Schneider
General Manager

Just about every aspect of our lives is being impacted by changing technologies; our industry is no different. We are excited about these changes and recognize the opportunities new technologies provide to drive efficiencies and better assist our consumers.

The Northern Municipal Power Agency (NMPA) is proud of our past and excited for the future. Our mission has always been to provide a reliable, affordable and long-term power supply. We do this while also being mindful of the environment and the changing dynamics around us. Like most industries, the electric utility industry is also changing rapidly. NMPA recognizes this changing landscape and has been proactive in preparing for the future. Working with our partner in this process, Minnkota Power Cooperative, we are prepared for the many challenges and opportunities that the future presents. Together, we are pleased to bring you the 2020 NMPA Annual Report.

The change around us generally falls into three categories, which include changes in governmental regulations, consumer expectations and technologies. Each of these is unique, but the common theme is the NMPA/Minnkota Joint System needs to continue to be responsive to this change, while being responsible to our mission.

Our 30% ownership in Coyote Station continues to be NMPA's largest asset and source of power. This generation plant is lignite coal-based and is located near Beulah, N.D. While this plant continues to operate well, we also recognize that there continues to be governmental mandate challenges with regards to renewable standards and EPA considerations. The Joint System affords NMPA the opportunity to offer a diverse mix of electric generation, such as wind and hydro. Our diverse mix of energy supply ensures that we are mindful of a changing landscape, but also ensures that power flows on the coldest days in our region.

The great thing about our industry is that more and more people are engaged on the sources of where their power comes from. This environmental stewardship is something important to our Joint System. Through our partnership, NMPA continues to explore future power supply needs and the sources from which that power may come. This includes the possibility of carbon capture technologies to reduce our Joint System carbon footprint in the future.

Just about every aspect of our lives is being impacted by changing technologies; our industry is no different. We are excited about these changes and recognize the opportunities new technologies provide to drive efficiencies and better assist our consumers. One area where NMPA is looking closely is in supporting electric vehicles. While the adoption of EVs is definitely slower in our part of the country, we also recognize that the market share will continue to grow. This not only presents a new opportunity for us to grow our electric loads, but also for NMPA to play a leadership role in our communities in supporting these efforts with information and charging stations.

In addition to generation, the other primary objective NMPA provides through our Joint System arrangement is transmission. In this regard, we have made numerous infrastructure improvements in recent years to update the system, reduce outages and improve safety. The transmission system not only ensures the power is flowing safely and reliably, but it also supports industry growth as our communities add new load.

At NMPA, we also take the role of working with our elected leaders seriously. Sharing the important work we do with policymakers is critical. Informing them of how their decisions impact our members is something they always appreciate. In this regard, we continue to work closely with both local state legislatures and advocate with our federal leaders as well. In February 2020, delegates from NMPA traveled to Washington, D.C., to meet with our elected leaders in person. Since that time, because of COVID restrictions, our meetings have been virtual. This work is done in partnership with our statewide agency, the Minnesota Municipal Utilities Association, and our national association, the American Public Power Association.

While change can be scary, it can also mean opportunity. We continue to be proactive on meeting the demands of our NMPA mission, while also focusing on the evolving world around us. What gives us confidence in this direction is that we do not proceed alone. We are grateful for our strong partnership with Minnkota, and for the relationships we have formed with our state and national partners as well.

The power of possibility is all around us. We are grateful for the opportunity to serve as your president and general manager. Thank you for all of the support.

Sincerely,

Lucas Spaeth
President

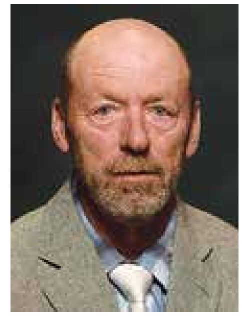
Jasper Schneider
General Manager

BOARD OF DIRECTORS AND STAFF

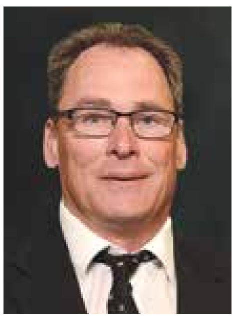
Lucas Spaeth
President
Halstad, Minn.

Chris West
Vice President
Grafton, N.D.

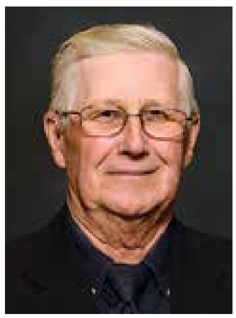
Dalene Monsebroten
Secretary-Treasurer



Bill Masterson
Bagley, Minn.



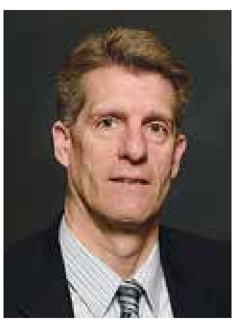
Roger Schotl
Baudette, Minn.



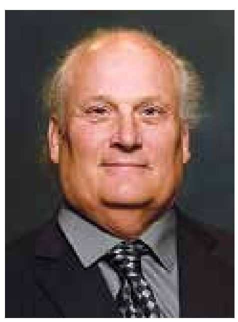
David Larson
Fosston, Minn.

Don Martodam
Hawley, Minn.

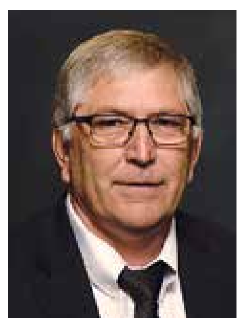
Dennis Larson
Park River, N.D.



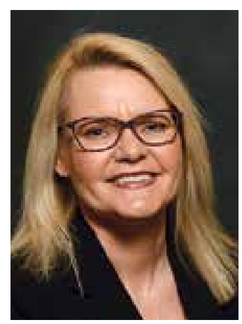
Todd Peterson
Roseau, Minn.



Todd Bazey
Stephen, Minn.



Dale Narlock
Thief River Falls, Minn.

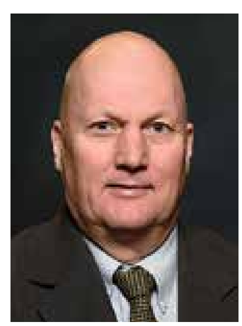


Shannon Mortenson
Warren, Minn.

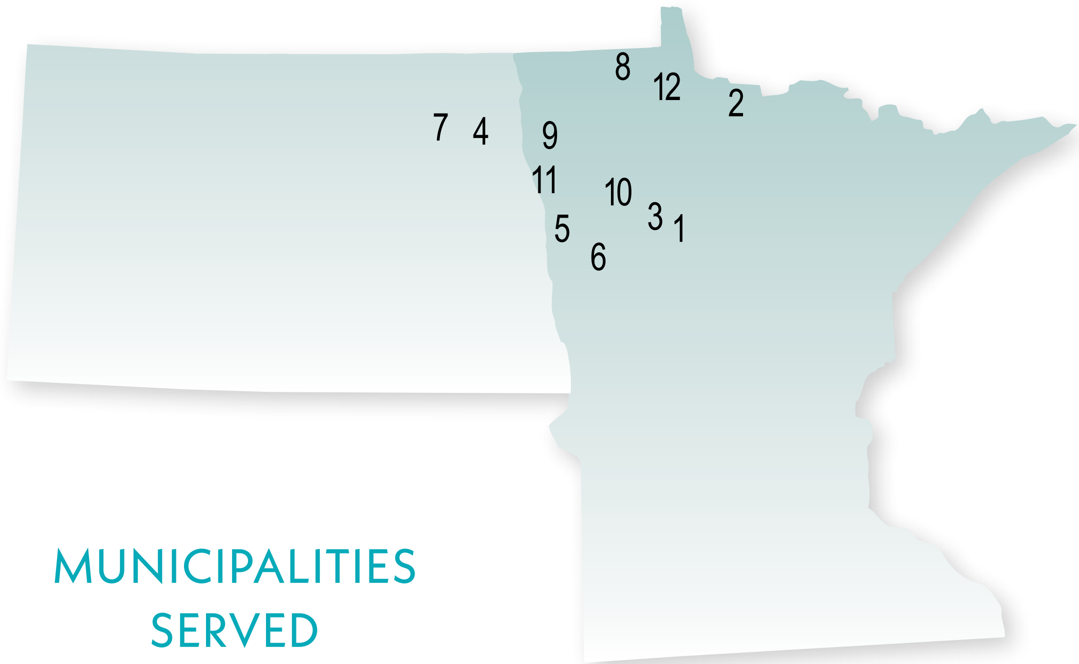
Dan Trosen
Warroad, Minn.

Jasper Schneider
General Manager

Yvonne Bergerson
Administrative Assistant



Delray Sparby
Legal Counsel



MUNICIPALITIES SERVED

1. Bagley Public Utilities
   P.O. Box M, Bagley, MN 56621
2. Baudette Municipal Utilities
   P.O. Box 548, Baudette, MN 56623
3. Fosston Municipal Utilities
   220 East First St., Fosston, MN 56542
4. Grafton Municipal Utilities
   P.O. Box 578, Grafton, ND 58237
5. Halstad Municipal Utilities
   405 Second Ave. West, Halstad, MN 56548
6. Hawley Public Utilities
   P.O. Box 69, Hawley, MN 56549
7. Park River Municipal Utilities
   P.O. Box C, Park River, ND 58270
8. Roseau Municipal Utilities
   P.O. Box 307, Roseau, MN 56751
9. City of Stephen Utilities
   P.O. Box 630, Stephen, MN 56757
10. Thief River Falls Municipal Utilities
    P.O. Box 528, Thief River Falls, MN 56701
11. City of Warren Water and Light
    120 East Bridge Ave., Warren, MN 56762
12. Warroad Municipal Utilities
    P.O. Box 50, Warroad, MN 56763

The power of perseverance

Communities of Northern Municipal Power Agency's system buckled down as COVID-19 cases rose

In March 2020, when media whispers of COVID-19 finally turned into warnings of a global pandemic, real leadership began to emerge in communities across the U.S. This was especially apparent in North Dakota and Minnesota's small towns, where mayors often hold dual responsibilities.

"I'm an aircraft mechanic and insurance agent. The health world is not my area of expertise," said Chris West, mayor of Grafton, N.D., an NMPA member-community of just over 4,000 people. "We shut down city hall to the public, we followed the recommendations and tried to go about business as usual."

But as the weeks drew on, the depth of the challenge sunk in.

"Once you saw people starting to be sick around you, we all knew to pump the brakes and readjust," West said. "That's all you do – you just readjust. You can't be a leader if you can't readjust."

For community captains like West, readjustment meant many things. Not only did they have to keep their citizens safe, but they also had to pay special attention to the health of their city staff. These were the people who kept up the heartbeat of the town – managing wastewater, fixing utility lines and conducting the business of government.

"The citizens expect that," said Mayor Brian Holmer of Thief River Falls, another of NMPA's 12 participating communities. "They expect the lights to turn on, they expect the toilets to flush, they expect the roads to be plowed. Your government services never stopped and your public services never stopped throughout the whole deal."

> **"We shut down city hall to the public, we followed the recommendations and tried to go about business as usual. Once you saw people starting to be sick around you, we all knew to pump the brakes and readjust. That's all you do – you just readjust. You can't be a leader if you can't readjust."**
>
> – Chris West, mayor of Grafton, N.D.

Holmer and his team of department supervisors sat down and worked out a plan of social distancing and split shifts to ensure central services could continue without quarantines. The use of videoconferencing technology quickly became the normal way of connecting with those who usually received a handshake. And that "Zoom boom" reached out into every area of the community, with most people working from their homes and classes being taught virtually.

"The biggest change I think we saw within our cities was the change in the school systems, and how quickly they pivoted to embracing technology and adapting to it," said NMPA general manager

Jasper Schneider, who watched the communities in his system thrive through hardships. “Hats off to all the educators who were persevering through some very strange times.”

“The school is very fortunate, in our community, that it was already using one-to-one technology, having one computer or tablet per student,” Holmer explained. “But an issue that came up with that was the lack of internet for the students in our community. Some didn’t have it, so some of the providers stepped up when families just couldn’t afford it.”

The pandemic revealed a real need for reliable internet in rural towns. Schneider noted that the exposure of these cracks in service happened

(From left to right) Grafton Mayor Chris West, NMPA General Manager Jasper Schneider and Thief River Falls Mayor Brian Holmer converge outside of NMPA’s offices in Thief River Falls.

A quiet evening in downtown Grafton, N.D., one of the 12 municipal communities served by NMPA. (Photo: Tweten’s Photography)

Grafton Mayor Chris West (left) shakes the hand of Thief River Falls Mayor Brian Holmer at a meeting at NMPA.

nationwide, leading to rural broadband support in federal relief packages and funding proposed in future legislation.

Leaders were mindful of the financial struggles of families experiencing layoffs or other burdens, and worked together to make sure that an unpaid invoice didn't lead to a disconnected home.

"Within the first couple of months, we started seeing the bills stack up that weren't collectible at that point in time," Holmer said. "So as a city, we immediately turned and looked at how we would work with a person to keep up on their bills and not charge them the past-due charges."

Efforts like these spanned the energy industry. Elected leaders in Minnesota and North Dakota worked with providers to make sure power wasn't cut off at the peak of the pandemic, no matter the financial stress.

"We didn't disconnect anyone in those months at the height," West said. "And after some of the stimulus money started to come from the federal government, we actually started to see cases of unpaid bills less. We've done better as a community that way."

Not just surviving, but thriving

It may have felt like the world stopped, but things never stopped spinning in Grafton, Thief River Falls and countless other towns. The economy had to continue and city developments needed to be finished.

"We were able to thrive. I don't believe we lost any businesses," Holmer said. "We are having some workforce challenges, but we had those prior to this. We're a growing community, so we'll continue to see that."

In Thief River Falls, the city was juggling many growth projects as the pandemic hit. A major expansion of Digi-Key Electronics was underway, as was the planning of several roundabouts and the Westside diversion project. A substation expansion was completed early in 2020 to more reliably support the electric needs of emerging industry and a swelling population. All of these endeavors continued as planned, with several private and public entities working together to keep momentum going.

"The thing I'm most proud of with these communities is it really showed the strength of partnerships," Schneider said. "This pandemic was not anything one person individually was facing. We were all in that same boat. We relied heavily on advice from medical professionals, we relied heavily on our strength and partnership with Minnkota Pow-

er Cooperative, we relied heavily on our strength and connection to national associations."

As small-town mayors, who live double lives as city leaders and citizens, West and Holmer agree that they are not out of the woods yet – COVID-19 is still a threat to take seriously. But they know it was a Midwest mindset of grit that allowed their communities to band together and come out stronger on the other side of the crisis.

"Their attitudes remained positive. No one was picking at each other or fighting over things," West said. "We were able to power through the spikes, the highs and the lows, and everything else, and just keep working alongside fellow friends."

"Everybody had the attitude that we're making it through this. Nothing's going to stop us," Holmer beamed. "We're tougher than that up here. We've faced adversity and we've faced a lot of tough problems up here. So I'm most proud of the resilience that we've had, that said, 'We're going to win this.'"

The NMPA Executive Committee gathers to share agency updates and discuss plans for the future.

Small-town schools like Lincoln High School in Thief River Falls were among the first organizations to make large-scale adjustments due to COVID-19.

The expansion of Thief River Falls' Digi-Key continued through the pandemic and is nearing completion.

Path to togetherness

WARROAD, MINN., COMMUNITY MEMBERS COMBINE EFFORTS TO CREATE SKATING EXPERIENCE LIKE NO OTHER

A family takes a skating and sledding cruise down the new Riverbend Skate Path in Warroad.

Good dads will do anything to put smiles on their children's faces during challenging times. The best dads will do anything to put smiles on the faces of their children's entire community during challenging times.

Jared Olafson is one of those "best" dads. And the small town of Warroad, Minn. (energized in part by Northern Municipal Power Agency), now has a 2.5-mile skating path as proof.

It all started in late 2020, when Olafson and his friend Craig were asked by their kids to connect the two backyard ice rinks the fathers build every winter on the Warroad River. With the COVID pandemic still a threat in Minnesota, schools were closed and the families' typical method of interaction was off limits.

"We're Hockeytown, USA, and we couldn't even get to our hockey rinks," Olafson said. "It sounded like a good idea, so one day I went out with the four-wheeler and connected the two rinks. That was

An aerial shot captured by KARE 11 news shows the winding river path through Warroad.

Young neighborhood hockey players gather to play in one of the several homemade rinks along the 2.5-mile ice route.

simple, so we decided there was no reason to actually stop. We just kept going."

Olafson's brother Travis joined the effort and the three swept and smoothed their way along the river, creating what is now nationally known as Riverbend Skate Path (named for the co-creators' Warroad neighborhood that anchors the route). The path ultimately stretched 2.5 miles to another outdoor rink at Doc's Harbor Inn, connecting several private rinks along the way.

The community flocked to the new ice amenity, prompting some to strap on skates that hadn't before been so willing. As word spread, there were weekends that the path would be used by 400 people each day.

"As you can imagine, we were doing everything on our own, and as it got more and more popular, it got more and more expensive to keep it going," Olafson recalled. "Warroad Community Partners offered to do some fundraisers and try to get some money so we could keep the path up. Pretty soon the media was calling, people were donating pieces of equipment and pumps, and it just ballooned from there."

Warroad Community Partners' director of events and activities, Sarah Homme, says the project aligned with one of their purpose statements, "Driving positive and memorable change in our community." It made sense for them to lend support in any way they could. The organization created a video of the path's origins, established the Riverbend Skate Path Maintenance Fund, whipped up social media buzz and held concession stand fundraisers along the route.

The project turned into a small-town spectacle that sparked news coverage across the country, including hits on MPR and Good Morning America and a feature by KARE 11's master Minnesota storyteller, Boyd Huppert.

"I think people appreciated the grassroots origins of it – three dads having fun with their kids and then expanding it for the whole community to enjoy," Homme said. "It saw a ton of use by people of all ages and skill levels, so all those people were excited to have the opportunity to give back to this effort in order to see it continue."

Nearly every business in town donated what

they could to boost the undertaking and keep the magic on ice – from 60 Christmas trees that lined the path, to pump donations to freshen and smooth the surface, to financial donations to fill in the remaining needs. Ironhide Equipment (Grand Forks/Bemidji) donated a Bobcat Toolcat with an 84-inch power broom, and Polaris Industries out of Roseau pitched in a broom for the front of a Polaris Ranger. Those additions cut the Riverbend crew's maintenance time in half.

"The whole community pretty much stepped up," Olafson said. "It was definitely the right time for a skate path, with everything being closed. Businesses obviously couldn't have in-house dining or people coming in. Tourism, which we rely on up here, was suffering. With that skate path, we actually brought some business into town."

Jared Olafson

Warroad bounced back strong from the initial effects of the pandemic, with visitors driving from around the region to experience the town for the first time. Olafson tried his best to chat with as many people as he could while he was out brooming the ice, and he ran into skaters from Ohio, North Dakota, Iowa, Wisconsin and beyond, coming from all over just for a chance to skate the path.

"We started this for the kids. And there were lots of kids – the hockey teams skated on it, teams from other towns would come and skate on it. But what really struck us, that this was a good thing, was the diversity of the skating clientele," Olafson said. "There were people that you would never see in a hockey rink who were now skating. People who used to play hockey in the seventies and now don't skate, they were now skating every day. So it's seeing that – that skating brought all of these people together."

The Riverbend trio is already planning how to make the path better next winter, and they may look to some electric technology to help them. Although they strung up lights along some points

A Bobcat Toolcat with an 84-inch power broom was donated to the project by Ironhide Equipment.

Occasional "ice watering" was needed to maintain the smooth surface of the well-traveled path.

of the route, they would like to set up even more with the help of their power partners. They also hope to secure a super-quiet, all-electric Polaris Ranger to help maintain the ice without ruining the tranquility of the river.

Warroad found a path through the pandemic, because it's made of folks who aren't just "good." They're the "best."

"I've been in Warroad my whole life, and if there's one thing this community does, it's getting behind a project, getting behind a person, getting behind the community spirit as a whole," Olafson said. "So when something like this comes in, it may start with a small idea from a couple of people, but once it takes hold, it's a community endeavor. I think this skate path will be a community endeavor for years to come."

If you would like to donate to the Riverbend Skate Path project, visit WarroadCommunityPartners.org for more information.

SECRETARY-TREASURER'S REPORT

Dalene Monsebroten
Secretary-Treasurer

The mission to provide an adequate, economical, reliable and long-term supply of electric energy and related services to the 12 municipal participants remains the focus of the Northern Municipal Power Agency. Through the Power Supply Coordination Agreement, Minnkota Power Cooperative serves as the operating agent for NMPA. This relationship allows the Joint System to meet our obligations to the participants financially and environmentally responsibly.

In 2020, the average wholesale rate to participants was 78.89 mills/kWh, a .3% decrease from 2019. Heating degree days were significantly lower, but the impact to sales was minimal due to the slight increase in number of customers served by the participants. Also, a number of NMPA cities participate in the PowerSavers Program, which assists the group in meeting the Minnesota Conservation Improvement Program mandate of 1.5% annual reduction of energy usage. The 440,545,915 kWh was a decrease in total sales to participants of 1.2% less than 2019.

The amount of revenues received from participants in 2020 of $34,709,684 reflected a slight decrease of 1.5% from the prior year due to the reduction in kWh sales and no rate changes for the year. Total revenue of $59,948,440, which includes sales to Minnkota and others, and investment and other income was also $7.9 million less than 2019. This was primarily due to the decrease in operation and maintenance from 2019 being a scheduled extended outage year.

Otter Tail Power Company continues to serve as operating agent of the Coyote Station for the partners. For 2020, the Agency's 30% share of fuel and O&M costs for Coyote was 34.59 mills, while the average cost of net energy production dropped to 34.83 mills per kWh, a substantial reduction of 22% due to the previous outage year and the current year availability of 91.35%.

NMPA did not issue any additional debt in 2020 and had all outstanding debt at the end of 2021 issued as fixed rate bonds in the amount of $107 million. NMPA transmission system debt has a final maturity date of Jan. 1, 2041, with Coyote Station debt not extending beyond Jan. 1, 2035. In 2020, $25,025,000 of bonds matured. NMPA continues to meet the coverage ratio and reserve obligations set forth by board policy and bond resolutions.

The annual financial audit was conducted by Brady, Martz and Associates P.C., the independent auditors retained by the board of directors. The auditors indicate that the financial statements fairly present, in all material respects, the net position of the Agency as of Dec. 31, 2020, and the results of its operations and its cash flows for the year ended in accordance with generally accepted accounting principles. Included in this annual report are the Management's Discussion and Analysis, containing highlights of the balance sheet and financial statements which are to be read in conjunction with the Auditor's Report.

The relationships with the NMPA participants and Minnkota Power Cooperative assist with our continued success in serving the electrical needs of our customer base in the region which is dependent on our joint efforts. We appreciate the opportunity to serve together!

This annual report contains a broad discussion of financial and operating information along with other highlights. I encourage you to review the report in its entirety.

Sincerely,

Dalene Monsebroten
Secretary-Treasurer

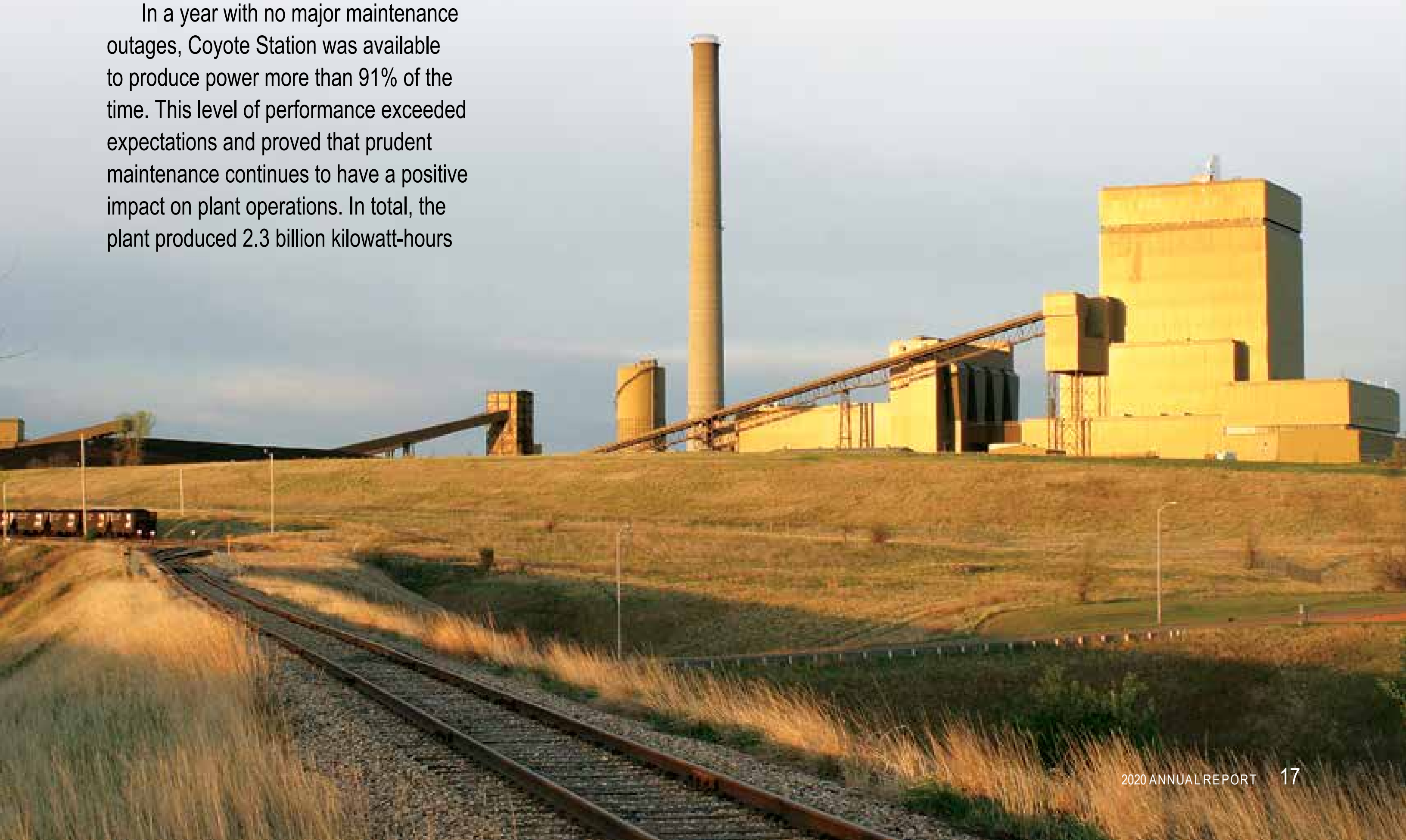
PERFORMANCE REPORT

The Coyote Station continued its long history of providing safe and reliable power to NMPA's members in 2020.

Safety remains the No. 1 priority at the coal-based facility located near Beulah, N.D. In 2020, Coyote Station was presented the Lignite Energy Council's "Lignite Louie" award for having the best safety record among the council's plant and mine members. The safety record included nine near misses, three incidents, zero OSHA recordables and zero lost-time accidents. This is a testament to the plant's employees and their continued focus on safe work practices and measures. Additionally, all environmental requirements for air, land and water quality were met during the year.

In a year with no major maintenance outages, Coyote Station was available to produce power more than 91% of the time. This level of performance exceeded expectations and proved that prudent maintenance continues to have a positive impact on plant operations. In total, the plant produced 2.3 billion kilowatt-hours (kWh) in 2020 and had an average net generation of 297,000 kW. The plant continued to develop strategic operating practices that helped provide needed flexibility in the wholesale market – a practice that continues to deliver value to the plant partners in 2020.

Looking ahead, the Coyote Station is working toward replicating the successes of 2020 in the years ahead, while recognizing that there are also challenges on the horizon. A major scheduled maintenance outage will be conducted on the unit in 2022. Significant projects completed during these outages, which are typically planned every three years, help ensure the Coyote Station continues to provide value to the NMPA communities and other plant partners.



ENGINEERING REPORT

The 1981, 1985, 1989, 1992, 1997, 1998, 2002, 2007, 2008, 2009, 2010, 2013, 2016, and 2017 Bond Prospectus contain projections of the Agency Participants' peak demand, energy requirements and estimated power costs for years ending on April 1, as well as on a calendar year basis. Our comparisons herein will be the calendar year actual vs. fiscal year projections.

The 2020 system peak of 93,058 kW is 1,043 kW more than that of the 2019 yearly peak of 92,015 kW. The corresponding 2020 kWh energy sales total of 440,545,915 kWh is 5,465,103 kWh less than the 446,011,018 kWh sold in 2019. This decrease in energy sales is similar to the decrease in sales from 2018 to 2019 and puts sales back to just slightly below 2017 levels.

2020 heating degree days decreased significantly from 2019. This decrease in heating degree days did not, however, result in the same magnitude of decreased energy sales as 2020's total sales fell by only 1.23% from 2019 levels. The annual average heating degree days since the Coyote Station began operations (1982-2020) is 9,537 degree-days with 2020 registering 8,705 degree-days or 8.72% below the 39-year average. 2020's degree-days value is the lowest seen since 2017's comparable 8,627 degree-days. The normal heating months of October through March saw 9.26% fewer heating degree days than that same period of 2019.

The Coyote Station was operated during 2020 by participating owner, Otter Tail Power Company. Monthly reports are issued to all owners on incurred operating costs, inventory activity and capital expenditures. The operating costs for the year ending Dec. 31, 2020, totaled $83,087,955.20 with the Agency share totaling $25,410,813.69 or an average cost of 34.59 mills per kWh. The average cost of net energy production for the total plant decreased to 34.83 mills per kWh, down from 44.69 mills per kWh in 2019. This reflects a decrease in average cost of net energy production of 22.07%.

The average power cost per kWh continues to remain stable due to controlling load demand and improving plant efficiency, as well as the effects of refinancing during 1985, 1989, 1992, 1997, 1998, 2007, 2009, 2010, 2013, 2016 and 2017 and continued innovative wholesale power pricing policies.

During 2020, the Agency participants' wholesale cost of power (average cost per kWh) decreased 0.20 mills or 0.3% from 79.09 mills in 2019 to 78.89 mills in 2020. Seven of 12 NMPA participants experienced increases in average wholesale power cost ranging from 0.06 to 2.46 mills/kWh. The remaining participants saw decreases of 0.60 to 1.41 mills/kWh.

Production at the Coyote Station facility greatly improved in 2020 as there were only minor outages due to equipment failure and/or unscheduled maintenance. Facility availability improved to 91.35% (8,023.85 hours). By comparison, the average yearly availability over the past 31 years was 85.25%. The 2020 availability factor is 6.10% above the 31-year average. Gross generation increased by 356,766 MWh or 16.35% above that of 2019, resulting in a capacity factor of 63.46%, which is below the 31-year average capacity factor of 74.84%.

The funds advanced by NMPA during 2020 for the operation of the Coyote Station equaled $25,964,841 of the total of $85,235,785 funds advanced by the entire group of station owners. NMPA participants contributed $34,709,684 in revenue of the total of $59,948,440 in revenue derived to offset NMPA's share of the cost of owning and operating the Coyote Station, the cost of the load ratio share of the Minnkota Power Cooperative transmission system, and the cost of internal Agency administrative expense.

The Power Supply Coordination Agreement between Minnkota Power Cooperative and Northern Municipal Power Agency provides for capital credits to be allocated to the Agency whenever such credits are allocated to other Minnkota members. For 2020, the total Minnkota operating margin was $7,670,292 (after revenue deferral), less the nonoperating margin of $845,124, leaving a total net operating margin to offset prior year losses of $6,825,168. Minnkota margin allocation policy is that margins received from operations, provided there are no accumulated prior years' operating losses, are to be allocated back to patrons. In 2019, there was no operating loss, enabling the 2020 net operating margin of $6,825,168 to be allocated. The Agency's share was $702,771.

COYOTE OPERATING STATISTICS

	2020	2019	2018
Hours of Operation	8,024	5,951	7,854
Hours of Outage	760	2,809	906
Plant Availability (Percent)	91.4	67.9	89.7
Gross Generation – Total (MWh)	2,539,013	2,182,257	3,244,766
Net Generation – Total (MWh)	2,380,114	2,052,712	3,063,293
Fuel Burned – Coal (Tons)	1,969,501	1,701,981	2,501,699
Fuel Burned – Fuel Oil (Gallons)	453,258	569,136	807,222

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Municipal Power Agency
Thief River Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Municipal Power Agency, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues and costs, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Municipal Power Agency as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA
February 12, 2021

Financial Statement Overview

This discussion and analysis of Northern Municipal Power Agency's (Northern) financial performance provides an overview of Northern's activities for the fiscal years ended December 31, 2020 and 2019. The information presented should be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

The basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Northern's basic financial statements include the statements of net position, the statements of revenues and costs, and the statements of cash flows.

The statements of net position provide information about the nature and amount of assets and obligations (liabilities) of Northern as of the end of the year. The statements of revenues and costs report revenues and expenses for the current year. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing activities, and investing activities.

Financial Highlights

The following table summarizes the financial position of Northern as of December 31:

Condensed Statements of Net Position

				2020 vs 2019	
	2020	2019	2018	Dollar Change	Percent Change
Net Utility Plant	$ 48,938,163	$ 71,283,018	$ 86,330,376	$ (22,344,855)	(31.3)
Current Assets	67,444,952	72,330,115	76,372,302	(4,885,163)	(6.8)
Total Assets	116,383,115	143,613,133	162,702,678	(27,230,018)	(19.0)
Deferred Outflows of Resources	75,868	27,549	56,490	48,319	175.4
Current Liabilities	35,670,474	36,399,939	30,471,480	(729,465)	(2.0)
Long-term Liabilities	80,764,796	107,182,448	132,235,808	(26,417,652)	(24.6)
Total Liabilities	116,435,270	143,582,387	162,707,288	(27,147,117)	(18.9)
Deferred Inflows of Resources	23,713	58,295	51,880	(34,582)	(59.3)
Net Investment in Capital Assets	(58,061,837)	(60,741,982)	(69,559,624)	2,680,145	4.4
Restricted by Bond Agreements	54,787,150	59,061,916	62,795,190	(4,274,766)	(7.2)
Unrestricted	3,274,687	1,680,066	6,764,434	1,594,621	94.9
Total Net Position	$ -	$ -	$ -	$ -	-

Condensed statements of net position highlights are as follows:

- Net utility plant decreased by approximately $22.3 million. Net utility plant includes Northern's 30% share of the Coyote generating station and Northern's approximate load-ratio share of the related transmission system. The $22.3 million decrease in net utility plant is mainly due to an additional year's depreciation.
- Current assets decreased by approximately $4.9 million. Current assets include cash, investments and accounts receivable. The decrease is primarily related to the use of construction funds to finance Coyote plant and transmission property additions.
- Current liabilities decreased by approximately $0.7 million primarily due the payment of Northern's estimated share of 2020 transmission property additions to Minnkota in December 2020.
- Revenue bonds, net of current maturities, decreased by approximately $26.5 million. The decrease is due to scheduled bond principal payments made in 2020.
- The net pension liability, deferred outflows of resources, and deferred inflows of resources are due to the implementation of GASB 68, which requires Northern to record its share of the Public Employees Retirement Association net pension liability.

The following table summarizes the changes in financial position of Northern for the years ended December 31, 2020, 2019 and 2018:

Condensed Statements of Revenues and Costs

	2020	2019	2018	2020 vs 2019 Dollar Change	2020 vs 2019 Percent Change
Revenues	$59,948,440	$67,850,997	$ 63,531,331	$ (7,902,557)	(11.6)
Operating Costs	$54,671,502	$61,322,808	$ 55,826,892	$ (6,651,306)	(10.8)
Interest	5,276,938	6,528,189	7,704,439	(1,251,251)	(19.2)
Total Costs	$59,948,440	$67,850,997	$ 63,531,331	$ (7,902,557)	(11.6)

Condensed statements of revenues and costs highlights are as follows:

- Total revenues decreased by $7.9 million. Revenues from exempt sales to public authorities and other income decreased by $2.4 million. Revenues from participants decreased by $0.5 million and revenues from Minnkota Power Cooperative, Inc. (Minnkota), decreased by $4.9 million. Revenues from exempt sales to public authorities and other income decreased primarily due to lower exempt sales from the Coyote plant. Revenues from participants remained consistent with last year. Revenues from Minnkota were down primarily due to there being less Coyote plant costs in 2020 for Minnkota to cover under the Power Supply Coordination Agreement. Per this Agreement, Minnkota purchases all capacity and energy in excess of Northern's requirements at a cost to satisfy Northern's revenue requirements, subject to limitations pursuant to federal tax law.
- Total operating costs decreased by $6.7 million. Total operating costs include fuel and operating and maintenance expenses for Northern's 30% share of the Coyote generating plant, transmission operating expenses, administrative expenses, and depreciation. Depreciation is provided for on a sinking fund method with depreciation equivalent to the principal payments required to pay the outstanding bonds. Depreciation expense increased $1.5 million due to higher bond principal payments. Operation and maintenance expense decreased by $8.3 million due in part to the prior year's outage maintenance.
- Interest expense decreased by $1.3 million in 2020.

Debt Administration

As of December 31, 2020, Northern had debt outstanding of approximately $107.0 million, a decrease of approximately $25.0 million from December 31, 2019. Northern made scheduled bond principal payments of $25.0 million on January 2, 2020. Northern bonds have an "A-" rating from Standard & Poor's and an "A3" rating from Moody's.

Factors Bearing on Northern's Future

Northern is subject to various federal, state and local laws, rules and regulations relating to air and water quality, hazardous and solid waste disposal, reporting of toxic releases and air emissions, and other environmental matters. These laws, rules and regulations often require Northern to undertake considerable efforts and substantial costs to obtain licenses, permits and approvals from various federal, state and local agencies. Northern cannot predict at this time whether any additional legislation or rules will be enacted which will affect its operations, and if such laws or rules are enacted, what the future cost to Northern might be because of such action.

STATEMENTS OF NET POSITION

As of December 31, 2020 and 2019

Assets and Deferred Outflows of Resources	2020	2019
UTILITY PLANT		
Plant in Service	$ 367,910,116	$ 367,782,871
Transmission System	65,828,177	61,795,277
Total	433,738,293	429,578,148
Accumulated Depreciation	(384,800,130)	(358,295,130)
Net Utility Plant	48,938,163	71,283,018
CURRENT ASSETS		
Cash	1,152,835	999,749
Investments – Unrestricted	5,789,379	5,805,959
Investments – Restricted	57,425,620	62,326,011
Accounts Receivable – Participants	3,077,118	3,198,396
Total Current Assets	67,444,952	72,330,115
TOTAL ASSETS	116,383,115	143,613,133
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan	75,868	27,549

Liabilities, Deferred Inflows of Resources and Net Position	2020	2019
LONG-TERM LIABILITIES		
Revenue Bonds, Net of Current Maturities	80,495,000	107,000,000
Net Pension Liability	269,796	182,448
Total Long-Term Liabilities	80,764,796	107,182,448
CURRENT LIABILITIES		
Accounts Payable		
Participants	1,152,835	999,749
Minnkota Power Cooperative, Inc.	5,374,169	7,111,095
Accrued Interest	2,638,470	3,264,095
Current Maturities of Revenue Bonds	26,505,000	25,025,000
Total Current Liabilities	35,670,474	36,399,939
TOTAL LIABILITIES	116,435,270	143,582,387
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan	23,713	58,295
NET POSITION		
Net Investment in Capital Assets	(58,061,837)	(60,741,982)
Restricted by Bond Agreements	54,787,150	59,061,916
Unrestricted	3,274,687	1,680,066
Total Net Position	$ -	$ -

See Notes to the Financial Statements.

STATEMENTS OF REVENUES AND COSTS

For the years ended December 31, 2020 and 2019

	2020	2019
REVENUES		
Participants	$ 34,709,684	$ 35,229,641
Minnkota Power Cooperative, Inc.	18,306,901	23,246,220
Exempt Sales to Public Authorities and Other Income	6,931,855	9,375,136
Total	$ 59,948,440	$ 67,850,997
COSTS		
Plant Operations		
Fuel	$ 18,081,650	$ 17,996,427
Operation and Maintenance	7,883,190	16,193,681
Transmission Operations	1,507,923	1,437,240
Administrative Expense	693,739	670,460
Depreciation	26,505,000	25,025,000
Total	54,671,502	61,322,808
Interest	5,276,938	6,528,189
Total	$ 59,948,440	$ 67,850,997

See Notes to the Financial Statements.

POWER SOURCES AND ENERGY SALES

	2020	2019	2018
NMPA Coyote Net Generation Delivered (kWh)	712,650,930	613,521,750	905,979,000
Energy Sales: (kWh)			
Municipal Participants	440,545,915	446,011,018	452,701,895
Other Entities	272,105,015	167,510,732	453,277,105
	712,650,930	613,521,750	905,979,000

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Participants	$ 34,875,016	$ 35,202,512
Receipts from Minnkota Power Cooperative, Inc.	16,486,175	28,437,797
Receipts from Other Public Authorities	6,179,525	7,416,132
Receipts from Others	607,013	578,565
Receipt of Interest	871,100	1,284,903
Payments for Fuel	(18,081,650)	(17,996,427)
Payments for Operating and Maintenance	(7,883,190)	(16,193,681)
Payments for Transmission Operations	(1,507,923)	(1,437,240)
Payments for Interest	(5,902,563)	(7,116,064)
Payments for Administrative Expense	(540,653)	(580,789)
Net Cash Provided (Used) by Operating Activities	25,102,850	29,595,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Debt	(25,025,000)	(23,865,000)
Addition to Utility Plant	(4,841,736)	(9,844,625)
Net Cash Provided (Used) by Capital and Related Financing Activities	(29,866,736)	(33,709,625)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	111,574,486	151,879,747
Purchase of Investments	(106,657,514)	(147,676,160)
Net Cash Provided (Used) By Investing Activities	4,916,972	4,203,587
INCREASE IN CASH	153,086	89,670
CASH AT BEGINNING OF YEAR	999,749	910,079
CASH AT END OF YEAR	$ 1,152,835	$ 999,749
CASH FLOWS FROM OPERATING ACTIVITIES		
Depreciation	$ 26,505,000	$ 25,025,000
Deferred Charges	686,037	(126,022)
Change in Current Assets and Liabilities:		
Accounts Receivable	121,278	(71,729)
Accounts Payable	(1,583,840)	5,356,334
Accrued Interest	(625,625)	(587,875)
Net Cash Provided (Used) by Operating Activities	$ 25,102,850	$ 29,595,708

See Notes to the Financial Statements.

WHOLESALE POWER COSTS

City	Population	No. of Customers	Amount Purchased (kWh)	Cost of Power w/Levy	Mills/kWh w/Levy
Bagley	1,422	785	25,022,751	$ 2,007,098	80.21
Baudette	1,106	781	21,021,236	1,713,803	81.53
Fosston	1,508	888	29,957,968	2,325,638	77.63
Grafton	4,324	2,279	53,511,173	4,214,209	78.75
Halstad	597	317	8,072,917	677,492	83.92
Hawley	2,240	1,169	20,273,697	1,691,078	83.41
Park River	1,403	815	19,655,588	1,693,712	86.17
Roseau	2,855	1,436	36,661,463	3,042,953	83.00
Stephen	646	325	7,518,659	628,361	83.57
Thief River Falls	8,722	5,133	141,624,321	11,188,919	79.00
Warren	1,563	946	17,758,019	1,505,199	84.76
Warroad	1,871	975	59,468,123	4,065,278	68.36
TOTAL	28,257	15,849	440,545,915	$34,753,739	78.89

FINANCIAL COVERAGE RATIOS

City	2020	2019	2018	2017	2016
Bagley	1.10	1.12	1.14	1.15	1.11
Baudette	1.11	1.11	1.16	1.31	1.33
Fosston	1.20	1.21	1.14	1.19	1.19
Grafton	1.32	1.33	1.32	1.23	1.08
Halstad	1.34	1.22	1.23	1.11	1.22
Hawley	1.13	1.16	1.14	1.18	1.16
Park River	1.01	1.06	1.11	1.08	1.03
Roseau	1.29	1.30	1.30	1.28	1.29
Stephen	1.26	1.25	1.15	1.06	1.06
Thief River Falls	1.10	1.29	1.20	1.16	1.23
Warren	1.02	.99	.96	.95	.93
Warroad	1.15	1.13	1.10	1.08	1.23
Average	1.17	1.18	1.16	1.16	1.16
NMPA	1.32	1.30	1.30	1.29	1.28

(The coverage ratio measures the ability of the Agency and member cities to pay current purchased power expense and debt service with current year's net revenues.)

NOTE 1: ORGANIZATION

Northern Municipal Power Agency (Northern) is a municipal corporation and a political subdivision of the State of Minnesota. Its membership consists of 10 Minnesota and two North Dakota municipalities, each of which owns and operates a municipal electric utility distribution system.

Northern was incorporated on December 14, 1976, for the purpose of providing a means for its members to secure an adequate, economical and reliable long-term supply of electric energy.

In April 1981, Northern purchased a 30% interest in the Coyote Station plant near Beulah, North Dakota and related transmission facilities from Minnkota. As of December 31, 2020, the participants in Coyote No. 1 are as follows:

Name	Percent of Ownership
Otter Tail Power Company	35%
Northern Municipal Power Agency	30%
Montana-Dakota Utilities	25%
Northwestern Corporation	10%
Total	100%

Otter Tail Power Company is the operating agent for the Coyote Station plant.

NOTE 2: ACCOUNTING POLICIES

Basis of Accounting

Northern maintains accounting records on an accrual basis in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities, including the application of the Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, as the guidance relates to regulated operations. The guidance allows for deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

Deposits and Investments

Deposits and investments include cash and money market funds. Investments are reported on fair value based on quoted market prices as well as observable market based inputs or unobservable inputs that are corroborated by market data.

Restricted Investments

Northern's bond resolution requires the segregation of bond proceeds and prescribes the application of Northern's revenues. Amounts classified as restricted funds on the statements of net position represent investments whose use is restricted by bond resolution. It is Northern's policy to use restricted resources first for debt service, and then unrestricted resources as they are needed.

Fair Value Measurements

Northern accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with generally accepted accounting principles (GAAP). GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

Revenue

Revenues as defined by the Electric System Revenue Bond Resolution are established at amounts sufficient to cover operating costs (excluding depreciation) and debt service on revenue bonds, less capitalized interest.

Utility Plant

Utility plant includes all direct acquisition costs and other costs related to the acquisition of a 30% interest in the Coyote Station plant and the related transmission facilities, along with Northern's approximate load-ratio share of Minnkota's transmission system. Bond expenses, including premiums and discounts, and interest expense (less interest earned on investment securities) are included in the cost of the utility plant.

Depreciation is provided for on a sinking fund method with depreciation equivalent to the principal payments required to pay the outstanding bonds.

Cash Flows

For purposes of the Statements of Cash Flows, Northern considers cash to be demand deposits.

Income Taxes

Northern is exempt from federal and state income taxes, as it is a political subdivision of the State of Minnesota.

Net Position

Net Investment in Capital Assets consists of Net Utility Plant less Revenue Bonds. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Pensions

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

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: POWER SUPPLY COORDINATION AGREEMENT

On March 1, 1981, Northern entered into a Power Supply Coordination Agreement with Minnkota. In 2017, this agreement was amended to be effective until the later of December 31, 2041, or the date on which the operating and engineering committee under the Agreement for Sharing Ownership caused the Coyote Plant to be retired from service. The agreement provides for Minnkota to purchase all capacity and energy in excess of Northern's requirements, subject to limitations pursuant to Federal tax law. Minnkota is the operating agent for Northern.

NOTE 4: CASH AND INVESTMENTS

The bond resolution under which the revenue bonds were issued provides for the creation and maintenance of certain funds and accounts as follows:

	Dec. 31 2020	Dec. 31 2019
Unrestricted:		
Cash – Working Fund	$ 1,152,835	$ 999,749
Operating Fund	2,324,249	2,379,084
General Reserve Fund	2,412,121	2,395,070
Reserve and Contingency Fund	1,053,009	1,031,805
Total Unrestricted	6,942,214	6,805,708
Restricted:		
Debt Service Reserve Account	10,132,378	10,051,382
Rate Stabilization Fund	6,338,162	6,252,326
2013 Plant Additions Fund	-	10
2017 Coyote Project Construction Fund	2,603,980	3,457,084
2017 Plant Additions Fund	9,003,585	14,076,120
Bond Fund Interest Account	2,638,974	25,629,883
Bond Fund Principal Account	26,708,541	176,487
2013 Bond Fund Series	-	674,719
2016 Bond Fund Series	-	559,375
2017 Bond Fund Series	-	1,448,625
Total Restricted	57,425,620	62,326,011
Total Cash and Investments	$64,367,834	$69,131,719

The funds consist of $63,214,999 of investment securities and $1,152,835 of cash deposits at December 31, 2020, and $68,131,970 of investment securities and $999,749 of cash deposits at December 31, 2019.

As of December 31, 2020 and 2019, Northern had the following investments:

	12/31/20	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Rating	Agency
Investments by Fair Value Level						
Cash & Cash Alternatives						
Treasury Money Market	$44,679,615	$44,679,615	$ -	$ -	N/A	N/A
Certificate of Deposit	13,836,837	13,836,837	-	-	N/A	N/A
Debt Securities						
Federal Home Loan Mortgage Corp.	2,047,495	-	2,047,495	-	Aaa	Moody's
Federal National Mortgage	2,651,052	-	2,651,052	-	Aaa	Moody's
Total Investments by Fair Value Level	$63,214,999	$58,516,452	$ 4,698,547	$ -		

	12/31/19	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Rating	Agency
Investments by Fair Value Level						
Cash & Cash Alternatives						
Treasury Money Market	$37,505,541	$37,505,541	$ -	$ -	N/A	N/A
Certificate of Deposit	22,595,988	22,595,988	-	-	N/A	N/A
Debt Securities						
Federal Home Loan Mortgage Corp.	2,019,982	-	2,019,982	-	Aaa	Moody's
Federal National Mortgage	6,010,459	-	6,010,459	-	Aaa	Moody's
Total Investments by Fair Value Level	$68,131,970	$60,101,529	$ 8,030,441	$ -		

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, Northern will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Northern's investments are held by the investments counter party, in Northern's name.

Credit Risk

Northern is authorized to invest in:

(a) Direct obligations of the U.S. Government, its agencies or instrumentalities.
(b) New Housing Authority Bonds or Project Notes issued by public agencies or municipalities.
(c) Direct and general obligations of any state or municipalities, which are rated "Aa".
(d) Certificates of Deposit.
(e) Bankers Acceptances.
(f) Repurchase Agreements.

Interest Rate Risk

Northern has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Northern entered into a Forward Purchase Agreement with Barclays Bank PLC on May 30, 2014, for investing funds in the bond fund principal and bond fund interest accounts. This agreement was amended on September 27, 2017, to include the 2017 Bonds. The amended agreement establishes a guaranteed rate of return on the investments held in the bond fund principal and bond fund interest accounts at 1.455%. The agreement expires on January 1, 2026.

NOTE 5: UTILITY PLANT

Utility plant activity was as follows:

	Beginning Balance	Additions	Adjustments	Ending Balance
Utility Plant as of 12/31/20				
Plant in Service	$ 367,782,871	$ 892,636	$ (765,391)	$ 367,910,116
Transmission System	61,795,277	4,032,900	-	65,828,177
Total Utility Plant	429,578,148	4,925,536	(765,391)	433,738,293
Less Accumulated Depreciation	(358,295,130)	(26,505,000)	-	(384,800,130)
Net Utility Plant	$ 71,283,018	$(21,579,464)	$ (765,391)	$ 48,938,163
Utility Plant as of 12/31/19				
Plant in Service	$ 363,116,529	$ 4,615,407	$ 50,935	$ 367,782,871
Transmission System	56,483,977	5,311,300	-	61,795,277
Total Utility Plant	419,600,506	9,926,707	50,935	429,578,148
Less Accumulated Depreciation	(333,270,130)	(25,025,000)	-	(358,295,130)
Net Utility Plant	$ 86,330,376	$(15,098,293)	$ 50,935	$ 71,283,018

The Electric System Revenue Bond Resolution requires that revenues equal costs. At December 31, 2020 and 2019, $(1,731,950) and $(2,497,341), respectively were deferred against plant in service.

NOTE 6: REVENUE BONDS

Revenue bonds payable at December 31, 2020 and 2019 are summarized below:

	Dec. 31, 2020	Dec. 31, 2019
Electric System Revenue Bonds, Series 2010A-1, Interest 5.00%, Due Annually in Varying Amounts from Jan. 1, 2019 through Jan. 1, 2020	$ -	$ 23,255,000
Electric System Revenue Bonds, Series 2013A, Interest 4.00% to 5.00%, Due Annually in Varying Amounts from Jan. 1, 2023 through Jan. 1, 2031	26,155,000	26,155,000
Electric System Revenue Bonds, Series 2013B, Interest 4.35%, Due Jan. 1, 2022	2,295,000	2,295,000
Electric System Revenue Bonds, Series 2016, Interest 5.00%, Due Annually in Varying Amounts from Jan. 1, 2021 through Jan. 1, 2031	22,375,000	22,375,000
Electric System Revenue Bonds, Series 2017, Interest 4.00% to 5.00%, Due Annually in Varying Amounts from Jan. 1, 2019 through Jan. 1, 2041	56,175,000	57,945,000
Totals	$ 107,000,000	$ 132,025,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2021	$ 26,505,000	$ 5,276,939	$ 31,781,939
2022	8,210,000	3,951,689	12,161,689
2023	7,265,000	3,556,106	10,821,106
2024	7,635,000	3,192,856	10,827,856
2025	5,615,000	2,811,106	8,426,106
2026-2030	32,470,000	9,636,124	42,106,124
2031-2035	13,220,000	2,918,000	16,138,000
2036-2040	5,100,000	945,250	6,045,250
2041	980,000	49,000	1,029,000
	$ 107,000,000	$ 32,337,070	$ 139,337,070

The principal and interest on the bonds are payable solely from and secured solely by a pledge of (1) the proceeds of the sale of the bonds to the extent held in special funds established by the Bond Resolution, (2) the revenues of Northern subject to prior payments therefrom of operating expenses and (3) all funds and accounts established by the Bond Resolution permitting the application thereof for the purpose and on the terms and conditions set forth in the Bond Resolution.

Long-term liability activity for the years ended December 31, 2020 and 2019, was as follows:

	Beginning Balance	Net Additions	Net Reductions	Ending Balance
Long-term liabilities, 12/31/20, Revenue bonds	$ 132,025,000	$ -	$ (25,025,000)	$ 107,000,000
Long-term liabilities, 12/31/19, Revenue bonds	$ 155,890,000	$ -	$ (23,865,000)	$ 132,025,000

NOTE 7: DEFINED BENEFIT PENSION PLAN

Public Employees Retirement Association

Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the Agency are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after July 1, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former Municipal Employees Retirement Fund (MERF) members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

Contributions

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

1. General Employees Fund Contributions

Coordinated plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020. The Agency was required to contribute 7.5 percent for Coordinated Plan members. The Agency's contributions to the General Employees Fund for the year ended December 31, 2020, were $25,403. The Agency's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2020, the Agency reported a liability of $269,796 for its proportionate share of the General Employees Fund's net pension liability. The Agency's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2020. 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 the Agency totaled $25,403. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the Agency's proportionate share was 0.0045% which was an increase of 0.0012% from its proportionate share measured as of June 30, 2019.

For the year ended December 31, 2020, the Agency recognized pension expense of $40,545 for its proportionate share of The General Employees Plan's pension expense. In addition, the Agency recognized an additional $718 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,851	$ 1,021
Changes in actuarial assumptions	-	8,823
Difference between projected and actual investment earnings	8,400	-
Changes in proportion	52,951	13,869
Contributions paid to PERA subsequent to the measurement date	12,702	-
Total	$75,868	$23,713

$12,702 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2021	1,177
2022	10,149
2023	21,609
2024	6,518

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

General Employee Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30,

2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale Mp-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building block method in which best-estimate ranges of expected future rates of returns 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 Stocks	35.50%	5.10%
International Stocks	25.00%	5.90%
Bonds	20.00%	0.75%
Alternative Assets	17.50%	5.90%
Cash	2.00%	0.00%

Discount Rate

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

Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Agency'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% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Northern's proportionate share of the GERF net pension liability:	$432,398	$269,796	$135,669

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 8: RISK MANAGEMENT

Northern is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The Reserve and Contingency Fund was established to fund uninsured risks of loss. Reserve and Contingency Fund assets were $1,053,009 and $1,031,805 at December 31, 2020 and 2019, respectively. There were no outstanding or unpaid claims as of December 31, 2020 and 2019. Northern continues to carry commercial insurance for other risks of loss, including workers' compensation, property and liability, and employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The United States Environmental Protection Agency has provided Otter Tail Power Company (the operator of the Coyote Station at Beulah, North Dakota) with a Request to Provide Information Pursuant to the Clean Air Act concerning Coyote and other plants owned or operated by Otter Tail Power Company. The Environmental Protection Agency is requesting the information to determine whether the emission source is complying with the Clean Air Act. Potential penalties could be authorized by the Clean Air Act if violations were noted but since the request is in preliminary stages, it is not possible to predict if any violations and subsequent penalties would be enforced. Northern believes the Coyote Station has been operating in accordance with the Clean Air Act and expects no violations to be found.

NOTE 10: NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, Omnibus 2020, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the entity's financial statements.

NOTE 11: SUBSEQUENT EVENT

Northern has evaluated subsequent events through February 12, 2021, the date which the financial statements were available to be issued.

SCHEDULE OF NORTHERN'S CONTRIBUTIONS TO MN PERA RETIREMENT PLAN – LAST 10 YEARS

Year Ended Dec. 31	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Northern's Covered - Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	PERA	$14,232	$14,232	$ -	$189,767	7.50%
2016	PERA	16,519	16,519	-	220,247	7.50%
2017	PERA	18,672	18,672	-	248,954	7.50%
2018	PERA	18,869	18,869	-	251,592	7.50%
2019	PERA	19,573	19,573	-	260,973	7.50%
2020	PERA	25,403	25,403	-	338,707	7.50%

The amounts presented for each year were determined as of the Agency's year end, which is December 31.

Northern implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

SCHEDULE OF NORTHERN'S SHARE OF THE NET PENSION LIABILITY – LAST 10 YEARS

For the Year Ended Dec. 31	Northern's Proportion of the Net Pension Liability (Asset)	Northern's Proportionate Share of the Net Pension Liability (Asset) (a)	State of Minnesota's Proportionate Share of the Net Pension Liability (if Applicable) (b)	Proportionate Share of the Net Pension Liability and State of Minnesota's Share of the Net Pension Liability (if Applicable (a+b)	Northern's Covered-Employee Payroll	Northern's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015 PERA	0.0031%	$160,658	$ -	$160,658	$189,767	84.66%	78.20%
2016 PERA	0.0033%	267,944	3,559	271,503	220,247	121.66%	68.90%
2017 PERA	0.0036%	229,822	2,920	232,742	248,954	92.32%	75.90%
2018 PERA	0.0038%	210,808	6,871	217,679	251,592	83.79%	79.53%
2019 PERA	0.0033%	182,448	5,666	188,114	260,973	69.91%	79.53%
2020 PERA	0.0045%	269,796	8,250	278,046	338,707	79.65%	79.06%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30, 2020.

Northern implemented GASB Statement No. 68 and 71 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

NORTHERN MUNICIPAL POWER AGENCY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2020 AND 2019

NOTE 1: GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions:

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

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Northern Municipal
POWER AGENCY

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