

**NORTHERN MUNICIPAL POWER AGENCY
THIEF RIVER FALLS, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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NORTHERN MUNICIPAL POWER AGENCY
ROSTER OF BOARD OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2025

Participants

Bagley, Minnesota
Baudette, Minnesota
Fosston, Minnesota
Grafton, North Dakota
Halstad, Minnesota
Hawley, Minnesota
Park River, North Dakota
Roseau, Minnesota
Stephen, Minnesota
Thief River Falls, Minnesota
Warren, Minnesota
Warroad, Minnesota

Representatives

Bill Masterson
Cole Nelson
Cassie Heide
Chris West
Lucas Spaeth
James Joy
Dennis Larson
Todd Peterson
Todd Bazey
Brian Jacobson
Travis Carl
Dan Trosen

President

Lucas Spaeth

Vice-President

Chris West

Chief Financial Officer and Secretary-Treasurer

Dalene Monsebroten

Chief Executive Officer

Jasper Schneider

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, 2025 and 2024, and the related statements of revenues and costs, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2025 and 2024, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Municipal Power Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Municipal Power Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

NORTHERN MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Agency's contributions to the MN PERA retirement plan, and schedule of the Agency's share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

NORTHERN MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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.

Other Information

Management is responsible for the other information included on page 1. The other information comprises the Roster of Board Officials but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

May 6, 2026

NORTHERN MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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, 2025 and 2024. 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

	2025	2024	2023	2025 vs 2024	
				Dollar Change	Percent Change
Net Utility Plant	\$ 36,769,488	\$ 37,011,391	\$ 38,803,357	\$ (241,903)	(0.7)
Current Assets	37,509,201	43,889,111	48,441,232	(6,379,910)	(14.5)
Total Assets	<u>74,278,689</u>	<u>80,900,502</u>	<u>87,244,589</u>	<u>(6,621,813)</u>	<u>(8.2)</u>
Deferred Outflows of Resources	<u>40,510</u>	<u>43,880</u>	<u>79,459</u>	<u>(3,370)</u>	<u>(7.7)</u>
Current Liabilities	15,915,968	15,686,924	13,971,676	229,044	1.5
Long-term Liabilities	58,295,252	65,132,891	73,264,594	(6,837,639)	(10.5)
Total Liabilities	<u>74,211,220</u>	<u>80,819,815</u>	<u>87,236,270</u>	<u>(6,608,595)</u>	<u>(8.2)</u>
Deferred Inflows of Resources	<u>107,979</u>	<u>124,567</u>	<u>87,778</u>	<u>(16,588)</u>	<u>(13.3)</u>
Net Investment in Capital Assets	(28,175,512)	(34,353,609)	(41,816,643)	6,178,097	18.0
Restricted by Bond Agreements	23,808,254	31,204,811	36,061,165	(7,396,557)	(23.7)
Unrestricted	4,367,258	3,148,798	5,755,478	1,218,460	38.7
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

NORTHERN MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Condensed statements of net position highlights are as follows:

- Net utility plant decreased by approximately \$0.2 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.
- Current assets decreased by approximately \$6.4 million. Current assets include cash, investments, and accounts receivable. The decrease is primarily related to the use of cash and investments to pay for plant and transmission system upgrades.
- Revenue bonds, net of current maturities, decreased by approximately \$6.8 million. The decrease is due to the scheduled bond principal payments made in 2025.
- 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 Employee's Retirement Association net pension liability.

The following table summarizes the changes in financial position of Northern for the years ended December 31, 2025, 2024, and 2023:

Condensed Statements of Revenues and Costs

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025 vs 2024</u>	
				<u>Dollar Change</u>	<u>Percent Change</u>
Revenues	\$ 59,443,698	\$ 51,863,573	\$ 52,315,934	\$ 7,580,125	14.6
Operating Costs	\$ 56,196,448	\$ 48,242,313	\$ 49,123,078	\$ 7,954,135	16.5
Interest	3,247,250	3,621,260	3,192,856	(374,010)	(10.3)
Total Costs	\$ 59,443,698	\$ 51,863,573	\$ 52,315,934	\$ 7,580,125	14.6

Condensed statements of revenues and costs highlights are as follows:

- Total revenues increased by \$7.6 million. Revenues from exempt sales to public authorities and other income increased by \$6.9 million. Revenues from participants increased by \$2.3 million, mainly due to a rate increase that began April 1, 2025. Revenues from exempt sales to public authorities and other income increased primarily due to volatility in the MISO market that led to higher prices than previous years. Revenues from Minnkota Power Cooperative, Inc. (Minnkota) decreased by \$1.6 million. This is due to Northern being able to cover all expenses with other sources of revenue in 2025. Per the Power Supply Coordination 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.

NORTHERN MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

- Total operating costs increased by \$8.0 million. Operating costs include Northern's 30% share of the Coyote generating plant fuel, operating and maintenance expenses. Costs also include Northern's share of Minnkota's transmission operating and maintenance expenses, in addition to purchased power, depreciation, operating agent fee and administrative expenses. Depreciation is provided for on a sinking fund method with depreciation equivalent to the principal payments required to pay outstanding bonds. Depreciation expense increased by \$0.4 million due to higher bond principal payments. Plant operations and maintenance costs increased by \$4.5 million and purchased power costs increased by \$3.5 million primarily due to the scheduled plant outage.
- Interest expense decreased by \$0.4 million in 2025.

DEBT ADMINISTRATION

As of December 31, 2025, Northern had debt outstanding of approximately \$65.0 million, a decrease of approximately \$6.4 million from December 31, 2024. Northern made scheduled bond principal payments of \$6.4 million on January 2, 2025. Northern bonds have an "AA+" rating from Standard & Poor's and an "Aa1" rating from Moody's. See note 6 for revenue bond detail.

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.

CONTACTING NORTHERN'S FINANCIAL MANAGEMENT

This financial report is designed to provide Northern's customers, and investors and creditors with a general overview of Northern's finances and to demonstrate Northern's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administration Offices, Northern Municipal Power Agency, 123 Second Street West, Thief River Falls, MN 56701-0485.

NORTHERN MUNICIPAL POWER AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
UTILITY PLANT		
Plant in Service	\$ 375,833,142	\$ 373,582,645
Transmission System	82,081,477	77,758,877
Total	457,914,619	451,341,522
Accumulated Depreciation	(421,145,131)	(414,330,131)
Net Utility Plant	36,769,488	37,011,391
CURRENT ASSETS		
Cash and Cash Equivalents	8,567,451	6,742,339
Cash - Restricted	15,944,817	16,112,941
Investments - Unrestricted	-	1,001,420
Investments - Restricted	9,487,063	16,875,995
Accounts Receivable - Participants	3,509,870	3,156,416
Total Current Assets	37,509,201	43,889,111
TOTAL ASSETS	74,278,689	80,900,502
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan	40,510	43,880
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LONG TERM LIABILITIES		
Revenue Bonds, Net of Current Maturities	58,130,000	64,945,000
Net Pension Liability	165,252	187,891
Total Long Term Liabilities	58,295,252	65,132,891
CURRENT LIABILITIES		
Accounts Payable		
Participants	1,475,454	1,459,760
Minnkota Power Cooperative, Inc.	6,001,889	6,023,039
Accrued Interest	1,623,625	1,784,125
Current Maturities of Revenue Bonds	6,815,000	6,420,000
Total Current Liabilities	15,915,968	15,686,924
TOTAL LIABILITIES	74,211,220	80,819,815
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan	107,979	124,567
NET POSITION		
Net Investment in Capital Assets	(28,175,512)	(34,353,609)
Restricted by Bond Agreements	23,808,254	31,204,811
Unrestricted	4,367,258	3,148,798
Total Net Position	\$ -	\$ -

See notes to the financial statements

NORTHERN MUNICIPAL POWER AGENCY
STATEMENTS OF REVENUES AND COSTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES:		
Participants	\$ 37,773,315	\$ 35,509,475
Minnkota Power Cooperative, Inc.	-	1,596,161
Exempt Sales to Public Authorities and Other Income	<u>21,670,383</u>	<u>14,757,937</u>
Total	<u>\$ 59,443,698</u>	<u>\$ 51,863,573</u>
 COSTS:		
Plant Operations		
Fuel	\$ 19,034,632	\$ 19,565,959
Operation and Maintenance	13,378,209	8,898,541
Transmission		
Operations	1,534,612	1,758,133
Maintenance	1,867,143	1,602,616
Purchased Power	11,597,220	8,144,600
Operating Agent Fee	754,570	709,305
Administrative Expense	1,215,062	1,143,159
Depreciation	<u>6,815,000</u>	<u>6,420,000</u>
Total	56,196,448	48,242,313
 Interest	 <u>3,247,250</u>	 <u>3,621,260</u>
Total	<u>\$ 59,443,698</u>	<u>\$ 51,863,573</u>

See notes to the financial statements

NORTHERN MUNICIPAL POWER AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Participants	\$ 37,419,863	\$ 35,392,827
Receipts from (Payments to) Minnkota Power Cooperative, Inc.	45,622	4,450,849
Receipts from Other Public Authorities	21,176,259	14,229,567
Receipt of Interest	1,199,952	1,538,210
Payments for Fuel	(19,034,632)	(19,565,959)
Payments for Plant Operations and Maintenance	(13,378,209)	(8,898,541)
Payments for Transmission Operations	(1,534,612)	(1,758,133)
Payments for Transmission Maintenance	(1,867,143)	(1,602,616)
Payments for Purchased Power	(11,597,220)	(8,144,600)
Payments for Operating Agent Fee	(754,570)	(709,305)
Payments for Interest	(3,407,750)	(3,433,563)
Payments for Administrative Expense	(1,186,165)	(1,255,294)
Net Cash Provided (Used) by Operating Activities	7,081,395	10,243,442
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Issuance of Bonds	-	19,645,000
Bonds Refunded	-	(21,265,000)
Premium Received on Bonds Issued	-	1,370,788
Principal Paid on Debt	(6,420,000)	(7,635,000)
Addition to Utility Plant	(7,394,759)	(7,028,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(13,814,759)	(14,912,212)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	18,253,446	18,339,827
Purchase of Investments	(9,863,093)	(11,271,076)
Net Cash Provided (Used) By Investing Activities	8,390,353	7,068,751
INCREASE (DECREASE) IN CASH	1,656,989	2,399,981
CASH AT BEGINNING OF YEAR	22,855,280	20,455,299
CASH AT END OF YEAR	\$ 24,512,269	\$ 22,855,280
Cash Reconciliation		
Cash and Cash Equivalents	\$ 8,567,451	\$ 6,742,339
Cash - Restricted	15,944,817	16,112,941
Total Cash	\$ 24,512,269	\$ 22,855,280
CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation	\$ 6,815,000	\$ 6,420,000
Deferred Charges	785,805	1,009,841
Change in Current Assets and Liabilities:		
Accounts Receivable	(353,454)	(116,647)
Accounts Payable	(5,456)	2,742,551
Accrued Interest	(160,500)	187,697
Net Cash Provided (Used) by Operating Activities	\$ 7,081,395	\$ 10,243,442

See notes to the financial statements

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025 AND 2024

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 ten 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, 2025, the participants in Coyote No. 1 are as follows:

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

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.

Restricted Cash and 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 cash and 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.

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

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 all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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.

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

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:

	December 31, 2025	December 31, 2024
Unrestricted:		
Cash - Working Fund	\$ 1,475,454	\$ 1,459,760
Operating Fund	2,888,122	2,572,366
General Reserve Fund	2,884,107	2,446,317
Reserve and Contingency Fund	1,319,768	1,265,316
Total Unrestricted	8,567,451	7,743,759
Restricted:		
Debt Service Reserve Account	6,787,735	6,641,243
Rate Stabilization Fund	7,294,289	6,993,441
Cost of Issuance Fund	14,996	14,996
2023 Plant Additions Fund	2,751,743	7,776,395
2023 Coyote Project Construction Fund	94,079	3,308,137
Bond Fund Interest Account	1,623,643	1,802,417
Bond Fund Principal Account	6,865,394	6,452,307
Total Restricted	25,431,879	32,988,936
Total Cash and Investments	\$ 33,999,330	\$ 40,732,695

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

The funds consist of \$9,487,062 of investment securities and \$24,512,269 of cash and cash equivalents at December 31, 2025, and \$17,877,415 of investment securities and \$22,855,280 of cash and cash equivalents at December 31, 2024.

As of December 31, 2025 and 2024, Northern had the following investments:

	12/31/2025	Fair Value Measurements Using			Rating	Agency
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments by Fair Value Level						
Cash & Cash Alternatives						
Certificate of Deposit	\$ -	\$ -	\$ -	\$ -	N/A	N/A
Debt Securities						
United States Treasury Bills	2,076,633	-	2,076,633	-		
Federal Home Loan Bank	205,907	-	205,907	-	Aa1	Moody's
Federal Home Loan Mortgage Company	468,971	-	468,971	-	Aa1	Moody's
Federal National Mortgage Association	3,932,824	-	3,932,824	-	Aa1	Moody's
Federal Farm Credit Banks	2,802,727	-	2,802,727	-	Aa1	Moody's
Total Investments by Fair Value Level	\$ 9,487,062	\$ -	\$ 9,487,062	\$ -		

	12/31/2024	Fair Value Measurements Using			Rating	Agency
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments by Fair Value Level						
Cash & Cash Alternatives						
Certificate of Deposit	\$ 1,251,664	\$ -	\$ 1,251,664	\$ -	N/A	N/A
Debt Securities						
United States Treasury Bills	-	-	-	-		
Federal Home Loan Bank	3,153,034	-	3,153,034	-	Aaa	Moody's
Federal Home Loan Mortgage Company	2,998,224	-	2,998,224	-	Aaa	Moody's
Federal National Mortgage Association	9,250,000	-	9,250,000	-	Aaa	Moody's
Federal Farm Credit Banks	1,224,493	-	1,224,493	-	Aaa	Moody's
Total Investments by Fair Value Level	\$ 17,877,415	\$ -	\$ 17,877,415	\$ -		

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.

Northern maintains cash in bank deposit accounts, which at times may exceed insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). Northern has not experienced

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

any losses in such accounts nor does Northern believe it is exposed to any significant credit risk on cash accounts.

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 and again on March 21, 2024. The most recent amended agreement establishes a guaranteed rate of return on the investments held in the bond fund principal and bond fund interest accounts at 0.553%. 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 12/31/25				
Plant in Service	\$ 373,582,645	\$ 3,072,159	\$ (821,662)	\$ 375,833,142
Transmission System	77,758,877	4,322,600	-	82,081,477
Total Utility Plant	451,341,522	7,394,759	(821,662)	457,914,619
Less Accumulated Deprec.	(414,330,131)	(6,815,000)	-	(421,145,131)
Net Utility Plant	<u>\$ 37,011,391</u>	<u>\$ 579,759</u>	<u>\$ (821,662)</u>	<u>\$ 36,769,488</u>
Utility Plant as of 12/31/24				
Plant in Service	\$ 374,135,411	\$ 476,412	\$ (1,029,178)	\$ 373,582,645
Transmission System	72,578,077	5,180,800	-	77,758,877
Total Utility Plant	446,713,488	5,657,212	(1,029,178)	451,341,522
Less Accumulated Deprec.	(407,910,131)	(6,420,000)	-	(414,330,131)
Net Utility Plant	<u>\$ 38,803,357</u>	<u>\$ (762,788)</u>	<u>\$ (1,029,178)</u>	<u>\$ 37,011,391</u>

The Electric System Revenue Bond Resolution requires that revenues equal costs. At December 31, 2025 and 2024, \$(2,487,965) and \$(3,309,627), respectively were deferred against plant in service.

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

NOTE 6 REVENUE BONDS

Revenue bonds payable at December 31, 2025 and 2024 are summarized below:

	December 31, 2025	December 31, 2024
Electric System Revenue Bonds, Series 2016, Interest 5.00%, Due Annually in Varying Amounts from January 1, 2021 through January 1, 2031	\$ 14,505,000	\$ 16,540,000
Electric System Revenue Bonds, Series 2017, Interest 4.00% to 5.00%, Due Annually in Varying Amounts from January 1, 2019 through January 1, 2041	18,630,000	19,580,000
Electric System Revenue Bonds, Series 2023, Interest 5.00% Due Annually in Varying Amounts from January 1, 2025 through January 1, 2041	14,580,000	15,600,000
Electric System Revenue Bonds, Series 2024, Interest 5.00% Due Annually in Varying Amounts from January 1, 2025 through January 1, 2031	17,230,000	19,645,000
Totals	\$ 64,945,000	\$ 71,365,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2026	\$ 6,815,000	\$ 3,076,875	\$ 9,891,875
2027	7,165,000	2,727,375	9,892,375
2028	7,515,000	2,360,375	9,875,375
2029	7,885,000	1,975,375	9,860,375
2030	8,295,000	1,570,875	9,865,875
2031-2035	16,770,000	4,076,500	20,846,500
2036-2040	8,690,000	1,491,250	10,181,250
2041	1,810,000	45,250	1,855,250
	\$ 64,945,000	\$ 17,323,875	\$ 82,268,875

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.

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

Long-term liability activity for the years ended December 31, 2025 and 2024 was as follows:

	Beginning Balance	Net Additions	Net Reductions	Ending Balance
Long-term liabilities, 12/31/25				
Revenue bonds	\$ 71,365,000	\$ -	\$ (6,420,000)	\$ 64,945,000
Long-term liabilities, 12/31/24				
Revenue bonds	\$ 80,620,000	\$ 19,645,000	\$ (28,900,000)	\$ 71,365,000

NOTE 7 DEFINED BENEFIT PENSION PLAN

Public Employees Retirement Association

Plan Description

The Agency participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. 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 Plan)

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

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

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

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The 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. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a prorated increase.

Contributions

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

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the Agency was required to contribute 7.50 percent for General Plan members. The Agency's contributions to the General Employees Fund for the year ended December 31, 2025, were \$33,872. The Agency's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2025, the Agency reported a liability of \$165,252 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. 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 \$6,206.

Agency's proportionate share of net pension liability	\$	165,252
State of Minnesota's proportionate share of the net pension liability associated with the Agency		6,206
Total	\$	171,458

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The Agency's proportionate share was 0.0050% percent at the end of the measurement period and 0.0051% percent for the beginning of the period.

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

For the year ended December 31, 2025, the Agency recognized pension expense of \$(3,489) for its proportionate share of the General Employees Plan's pension expense. In addition, the Agency recognized an additional \$0 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 15,745	\$ -
Changes in actuarial assumptions	3,982	38,025
Difference between projected and actual investment earnings	-	65,755
Changes in proportion	3,847	4,199
Contributions paid to PERA subsequent to the measurement date	16,936	-
Total	<u>\$ 40,510</u>	<u>\$ 107,979</u>

The \$16,936 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2026	\$ (19,472)
2027	(21,268)
2028	(22,264)
2029	(21,401)

Long-Term Expected Return on Investment

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

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%

Actuarial Methods and Assumptions

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

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50% after one year of service to 3% after 27 years of service.

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

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

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

General Employee Fund

Changes in Actuarial Assumptions:

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

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on 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. 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 (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Agency's proportionate share of the net pension liability:	\$ 401,372	\$ 165,252	\$ (26,294)

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 \$1,319,768 and \$1,265,316 at December 31, 2025 and 2024, respectively. There were no outstanding or unpaid claims as of December 31, 2025 and 2024. 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.

NORTHERN MUNICIPAL POWER AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

NOTE 9 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 105, *Subsequent Events*, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and nonrecognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

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

NOTE 10 SUBSEQUENT EVENTS

No significant events occurred subsequent to Northern's yearend. Northern has evaluated subsequent events through May 6, 2026, the date which the financial statements were available to be issued

NORTHERN MUNICIPAL POWER AGENCY
SCHEDULE OF THE AGENCY'S CONTRIBUTIONS TO MN PERA RETIREMENT PLAN
LAST 10 YEARS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 33,872	\$ (33,872)	\$ -	\$ 451,627	7.50%
2024	33,207	(33,207)	-	442,765	7.50%
2023	29,934	(29,934)	-	399,120	7.50%
2022	27,494	(27,494)	-	366,587	7.50%
2021	25,936	(25,936)	-	345,813	7.50%
2020	25,403	(25,403)	-	338,707	7.50%
2019	19,573	(19,573)	-	260,973	7.50%
2018	18,869	(18,869)	-	251,592	7.50%
2017	18,672	(18,672)	-	248,954	7.50%
2016	16,519	(16,519)	-	220,247	7.50%

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

See Note to the Required Supplementary Information

NORTHERN MUNICIPAL POWER AGENCY
SCHEDULE OF THE AGENCY'S SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS

	Agency's Proportion of the Net Pension Liability (Asset)	Agency'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)	Agency's Covered- Employee Payroll	Agency'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
2025	0.00500%	\$ 165,252	\$ 6,206	\$ 171,458	\$ 451,627	36.59%	90.78%
2024	0.00508%	187,891	4,858	192,749	442,765	42.44%	89.08%
2023	0.00502%	279,594	7,801	287,395	399,120	70.05%	83.10%
2022	0.00490%	388,082	11,279	399,361	366,587	105.86%	76.67%
2021	0.00480%	204,982	6,327	211,309	345,813	59.28%	87.00%
2020	0.00450%	269,796	8,250	278,046	338,707	79.65%	79.06%
2019	0.00330%	182,448	5,666	188,114	260,973	69.91%	80.23%
2018	0.00380%	210,808	6,871	217,679	251,592	83.79%	79.53%
2017	0.00360%	229,822	2,920	232,742	248,954	92.32%	75.90%
2016	0.00330%	267,944	3,559	271,503	220,247	121.66%	68.91%

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

See Note to the Required Supplementary Information

NORTHERN MUNICIPAL POWER AGENCY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2025 AND 2024

NOTE 1 GENERAL EMPLOYEES FUND

2025 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2024 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

2022 Changes

Changes in Actuarial Assumptions:

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

NORTHERN MUNICIPAL POWER AGENCY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

Changes in Actuarial Assumptions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

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.

NORTHERN MUNICIPAL POWER AGENCY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
AS OF DECEMBER 31, 2025 AND 2024

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.