




# **Minnesota Municipal Power Agency**

## **Independent Auditor's Report and Financial Statements**

December 31, 2025 and 2024



**Minnesota Municipal Power Agency  
Contents  
December 31, 2025 and 2024**

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**Independent Auditor's Report**..... 1

**Management's Discussion and Analysis** ..... 3

**Financial Statements:**

    Statements of Net Position..... 9

    Statements of Revenues, Expenses, and Changes in Net Position ..... 10

    Statements of Cash Flows ..... 11

    Notes to Financial Statements ..... 12

## Independent Auditor's Report

Board of Directors  
Minnesota Municipal Power Agency  
Minneapolis, Minnesota

### ***Opinion***

We have audited the financial statements of Minnesota Municipal Power Agency (the Agency), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, 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 the 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 the 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 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Forvis Mazars, LLP***

**Lincoln, Nebraska  
April 17, 2026**

## Management's Discussion and Analysis

This discussion and analysis of Minnesota Municipal Power Agency's (the Agency) financial performance provides an overview of the Agency'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 basic financial statements.

Minnesota Municipal Power Agency is a municipal corporation and a political subdivision of the State of Minnesota whose purpose is to secure an adequate, economical, and reliable supply of electric energy for its member municipalities. The Agency currently comprises 12 Minnesota municipalities.

### Financial Statements Overview

The Agency follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The basic financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Agency's basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and notes to the basic financial statements.

The statements of net position provide information about the nature and amount of assets and deferred outflows of resources, and obligations (liabilities) and deferred inflows of resources of the Agency as of the end of each year reported. The statements of revenues, expenses, and changes in net position report revenues and expenses. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing activities, and investing activities.

### Financial Highlights

*Comparison of 2025 with 2024*

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

<b>Condensed Statements of Net Position</b>				
	<u>2025</u>	<u>2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Capital and lease assets, net	\$ 292,664,190	\$ 272,059,098	\$ 20,605,092	7.6 %
Current assets	154,172,082	154,925,623	(753,541)	(0.5)%
Other noncurrent assets	<u>22,792,381</u>	<u>29,750,126</u>	<u>(6,957,745)</u>	(23.4)%
<b>Total Assets</b>	469,628,653	456,734,847	12,893,806	2.8 %
Deferred outflows of resources	<u>1,147,538</u>	<u>3,239,998</u>	<u>(2,092,460)</u>	(64.6)%
<b>Total Assets and Deferred Outflows</b>	<u>\$ 470,776,191</u>	<u>\$ 459,974,845</u>	<u>\$ 10,801,346</u>	2.3 %

**Condensed Statements of Net Position**

	<u>2025</u>	<u>2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>				
Current liabilities	\$ 27,930,234	\$ 24,327,195	\$ 3,603,039	14.8 %
Long-term liabilities	<u>141,113,894</u>	<u>151,114,376</u>	<u>(10,000,482)</u>	(6.6)%
<b>Total Liabilities</b>	169,044,128	175,441,571	(6,397,443)	(3.6)%
Deferred inflows of resources	<u>34,571,612</u>	<u>39,464,523</u>	<u>(4,892,911)</u>	(12.4)%
<b>Total Liabilities and Deferred Inflows</b>	<u>203,615,740</u>	<u>214,906,094</u>	<u>(11,290,354)</u>	(5.3)%
Net position				
Net investment in capital assets	150,057,790	121,379,496	28,678,294	23.6 %
Restricted	3,456,546	3,541,701	(85,155)	(2.4)%
Unrestricted	<u>113,646,115</u>	<u>120,147,554</u>	<u>(6,501,439)</u>	(5.4)%
<b>Total Net Position</b>	<u>267,160,451</u>	<u>245,068,751</u>	<u>22,091,700</u>	9.0 %
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$ 470,776,191</u>	<u>\$ 459,974,845</u>	<u>\$ 10,801,346</u>	2.3 %

Condensed statement of net position highlights are as follows:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of 2025 by approximately \$267.2 million (net position) as compared with \$245.1 million at the end of 2024. Net position provides necessary liquidity to the Agency and supports its investment-grade credit rating.
- Capital and lease assets, net increased by approximately \$20.6 million during 2025, primarily the result of capital asset construction expenditures. This was partially offset by \$18.5 million of depreciation and amortization on capital and lease assets in service.
- Current assets decreased by approximately \$0.8 million from 2024 to 2025. Cash and cash equivalents decreased by \$7.0 million, primarily related to capital asset construction expenditures during 2025, partially offset by operating cash inflows. Power sales and other receivables increased by \$5.1 million, primarily due to an insurance receivable associated with a generating facility.
- Other noncurrent assets, which include restricted cash, cash equivalents, and investments, prepaid expenses and future recoverable costs decreased by \$7.0 million from 2024 to 2025, primarily the result of the \$7.0 million decrease in future recoverable costs related to the levelization of depreciation and amortization, bond interest, and costs associated with the Agency's generating resources. The Agency is amortizing its remaining deferred cost balance of approximately \$14 million over a two-year period as of the end of 2025.
- Deferred outflows of resources decreased by approximately \$2.1 million from 2024 to 2025, primarily due to the Agency's risk management activities and amortization of the Agency's deferred loss on bond refunding.
- Current liabilities increased by approximately \$3.6 million from 2024 to 2025, primarily the result of an increase of \$5.1 million in accounts payable and accrued liabilities, and partially offset by the Agency's risk management activities.
- Long-term liabilities decreased by approximately \$10.0 million from 2024 to 2025, primarily the result of the Agency's principal payments on debt.
- Deferred inflows of resources decreased by \$4.9 million from 2024 to 2025, primarily the result of \$3.9 million in plant major maintenance accrual funds used, and a \$1.0 million net decrease in the Agency's energy adjustment accrual.

Comparison of 2024 with 2023

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

<b>Condensed Statements of Net Position</b>				
	<b>2024</b>	<b>2023</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Capital and lease assets, net	\$ 272,059,098	\$ 266,585,724	\$ 5,473,374	2.1 %
Current assets	154,925,623	141,098,328	13,827,295	9.8 %
Other noncurrent assets	<u>29,750,126</u>	<u>37,236,127</u>	<u>(7,486,001)</u>	(20.1)%
<b>Total Assets</b>	456,734,847	444,920,179	11,814,668	2.7 %
Deferred outflows of resources	<u>3,239,998</u>	<u>10,605,100</u>	<u>(7,365,102)</u>	(69.4)%
<b>Total Assets and Deferred Outflows</b>	<u>\$ 459,974,845</u>	<u>\$ 455,525,279</u>	<u>\$ 4,449,566</u>	1.0 %
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>				
Current liabilities	\$ 24,327,195	\$ 30,059,141	\$ (5,731,946)	(19.1)%
Long-term liabilities	<u>151,114,376</u>	<u>163,044,249</u>	<u>(11,929,873)</u>	(7.3)%
<b>Total Liabilities</b>	175,441,571	193,103,390	(17,661,819)	(9.1)%
Deferred inflows of resources	<u>39,464,523</u>	<u>40,314,649</u>	<u>(850,126)</u>	(2.1)%
<b>Total Liabilities and Deferred Inflows</b>	<u>214,906,094</u>	<u>233,418,039</u>	<u>(18,511,945)</u>	(7.9)%
Net position				
Net investment in capital assets	121,379,496	107,366,037	14,013,459	13.1 %
Restricted	3,541,701	3,386,318	155,383	4.6 %
Unrestricted	<u>120,147,554</u>	<u>111,354,885</u>	<u>8,792,669</u>	7.9 %
<b>Total Net Position</b>	<u>245,068,751</u>	<u>222,107,240</u>	<u>22,961,511</u>	10.3 %
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 459,974,845</u>	<u>\$ 455,525,279</u>	<u>\$ 4,449,566</u>	1.0 %

Condensed statement of net position highlights are as follows:

- The assets and deferred outflows of resources of the Agency exceeded its liabilities and deferred inflows of resources at the close of 2024 by approximately \$245.1 million (net position) as compared with \$222.1 million at the end of 2023. Net position provides necessary liquidity to the Agency and supports its investment-grade credit rating.
- Capital and lease assets, net increased by approximately \$5.5 million during 2024, primarily the result of capital asset construction expenditures, including two land purchases made for future solar projects totaling approximately \$22.1 million. This was partially offset by \$18.5 million of depreciation and amortization on capital and lease assets in service.

- Current assets increased by approximately \$13.8 million from 2023 to 2024. Cash and cash equivalents increased by \$9.6 million, primarily related to the Agency's change in net position during the year, but partially offset by capital asset construction expenditures made in 2024. Power sales and other receivables increased by \$3.9 million primarily because of the Hometown BioEnergy, LLC \$4.2 million renewable natural gas tax credit accrued for at the end of 2024.
- Other noncurrent assets, which include restricted cash, cash equivalents, and investments, prepaid expenses and future recoverable costs decreased by \$7.5 million from 2023 to 2024, primarily the result of the \$6.9 million decrease in future recoverable costs related to the levelization of depreciation and amortization, bond interest, and costs associated with the Agency's generating resources. The Agency is amortizing its remaining deferred cost balance of approximately \$21 million over a three-year period as of the end of 2024.
- Deferred outflows of resources decreased by approximately \$7.4 million from 2023 to 2024, primarily as a result of the Agency's risk management activities and amortization of the Agency's deferred loss on bond refunding.
- Current liabilities decreased by approximately \$5.7 million from 2023 to 2024, primarily the result of the Agency's risk management activities, and a decrease of \$1.1 million in accounts payable and accrued liabilities in 2024.
- Long-term liabilities decreased by approximately \$11.9 million from 2023 to 2024, primarily the result of the Agency's principal payments on debt and risk management activities.
- Deferred inflows of resources decreased by \$0.9 million from 2023 to 2024, primarily the result of \$1.2 million in plant major maintenance accrual funds used, partially offset by a \$0.3 million net increase in the Agency's energy adjustment accrual.

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

<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>				
	<u>2025</u>	<u>2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Operating revenues, power sales	\$ 187,246,395	\$ 171,797,468	\$ 15,448,927	9.0 %
Other nonoperating revenues	15,714,369	6,710,402	9,003,967	134.2 %
<b>Total Revenues</b>	<u>202,960,764</u>	<u>178,507,870</u>	<u>24,452,894</u>	13.7 %
<b>Expenses</b>				
Operating expenses	168,003,952	141,845,673	26,158,279	18.4 %
Other nonoperating expenses	5,848,674	6,807,662	(958,988)	(14.1)%
<b>Total Expenses</b>	173,852,626	148,653,335	25,199,291	17.0 %
<b>Future Recoverable Costs</b>	<u>(7,016,438)</u>	<u>(6,893,024)</u>	<u>(123,414)</u>	1.8 %
<b>Change in Net Position</b>	22,091,700	22,961,511	(869,811)	(3.8)%
<b>Beginning Net Position</b>	<u>245,068,751</u>	<u>222,107,240</u>	<u>22,961,511</u>	10.3 %
<b>Ending Net Position</b>	<u>\$ 267,160,451</u>	<u>\$ 245,068,751</u>	<u>\$ 22,091,700</u>	9.0 %

Condensed statements of revenues, expenses, and changes in net position highlights are as follows:

- Operating revenues – power sales increased by \$15.4 million between 2024 and 2025, including an \$8.9 million increase in power sales to members, as energy volumes for member power sales were higher in 2025, as well as a \$6.6 million increase in power sales to nonmembers.
- Other nonoperating revenues increased by approximately \$9.0 million between 2024 and 2025, primarily related to \$8.0 million of insurance recoveries and \$1.7 million in gains on the impairment of capital assets, partially offset by a \$0.8 million decrease in investment income.
- Operating expenses increased by approximately \$26.2 million between 2024 and 2025, primarily the result of a \$13.6 million increase in other operating expenses related to higher plant maintenance expenses, and a \$10.1 million increase in power acquisition costs due to higher energy prices.
- Other nonoperating expenses decreased by approximately \$1.0 million between 2024 and 2025, primarily related to the absence of \$0.6 million in income taxes associated with the Minnesota Renewable Energy (MRE), LLC tax status change recognized in 2024, and lower interest expense of \$0.4 million in 2025.
- Future recoverable costs decreased by approximately \$0.1 million between 2024 and 2025, primarily the result of the application of the Agency’s policy regarding the levelization of costs for generating assets financed by debt and the application of the Agency’s policy of not recognizing the change in value of investments for ratemaking purposes. The Agency is amortizing its remaining deferred cost balance of approximately \$14 million over a two-year period as of the end of 2025.

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

<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>				
	<u>2024</u>	<u>2023</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Operating revenues, power sales	\$ 171,797,468	\$ 181,252,429	\$ (9,454,961)	(5.2)%
Other nonoperating revenues	6,710,402	5,360,982	1,349,420	25.2 %
<b>Total Revenues</b>	<u>178,507,870</u>	<u>186,613,411</u>	<u>(8,105,541)</u>	<u>(4.3)%</u>
<b>Expenses</b>				
Operating expenses	141,845,673	141,072,010	773,663	0.5 %
Other nonoperating expenses	6,807,662	6,506,639	301,023	4.6 %
<b>Total Expenses</b>	<u>148,653,335</u>	<u>147,578,649</u>	<u>1,074,686</u>	<u>0.7 %</u>
Future recoverable costs	<u>(6,893,024)</u>	<u>(7,419,036)</u>	<u>526,012</u>	<u>(7.1)%</u>
<b>Change in Net Position</b>	<u>22,961,511</u>	<u>31,615,726</u>	<u>(8,654,215)</u>	<u>(27.4)%</u>
<b>Beginning Net Position</b>	<u>222,107,240</u>	<u>190,491,514</u>	<u>31,615,726</u>	<u>16.6 %</u>
<b>Ending Net Position</b>	<u><u>\$ 245,068,751</u></u>	<u><u>\$ 222,107,240</u></u>	<u><u>\$ 22,961,511</u></u>	<u><u>10.3 %</u></u>

Condensed statements of revenues, expenses, and changes in net position highlights are as follows:

- Operating revenues – power sales decreased by \$9.5 million between 2023 and 2024, as energy quantities and rates were lower in 2024. Operating revenues – power sales consist primarily of member power sales revenue, power sales to nonmembers, and transmission revenue.
- Other nonoperating revenues increased by approximately \$1.3 million between 2023 and 2024, primarily related to higher investment income because of higher average interest rates earned on cash and cash equivalents in 2024 as well as higher cash balances.
- Operating expenses increased by approximately \$0.8 million between 2023 and 2024, primarily the result of a \$1.3 million increase in depreciation and amortization, and a \$1.1 million increase in other operating expenses. This was partially offset by a \$1.6 million decrease in transmission expense in 2024.
- Other nonoperating expenses increased by approximately \$0.3 million between 2023 and 2024, primarily related to the \$0.6 million in income taxes paid for the Minnesota Renewable Energy (MRE), LLC change in tax status, partially offset by lower interest expense of \$0.3 million in 2024.
- Future recoverable costs increased by approximately \$0.5 million between 2023 and 2024, primarily the result of the application of the Agency’s policy regarding the levelization of costs for generating assets financed by debt and the application of the Agency’s policy of not recognizing the change in value of investments for ratemaking purposes. The Agency is amortizing its remaining deferred cost balance of approximately \$21 million over a three-year period as of the end of 2024.

#### **Debt Administration**

As of December 31, 2025 and 2024, the Agency had long-term debt outstanding of approximately \$126.8 and \$133.9 million, respectively.

The Agency’s bond ratings for both 2025 and 2024 were Aa3 and AA-, as assigned by Moody’s and Fitch, respectively.

#### **Contact Information**

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Avant Energy, Inc., 220 South Sixth Street, Suite 1300, Minneapolis, Minnesota 55402.

**Minnesota Municipal Power Agency**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 120,256,168	\$ 127,186,102
Restricted cash and cash equivalents	3,456,546	3,541,701
Accrued interest receivable	73,798	75,628
Power sales and other receivables	21,331,444	16,169,668
Fuel inventory	1,293,747	1,064,528
Plant inventory – spares	5,611,884	4,862,454
Renewable energy credit inventory	39,442	-
Prepaid expenses	2,109,053	2,025,542
<b>Total Current Assets</b>	<u>154,172,082</u>	<u>154,925,623</u>
<b>Noncurrent Assets</b>		
Capital and lease assets		
Generation assets	443,036,971	440,818,095
Land	33,015,640	33,014,257
Less: accumulated depreciation and amortization	<u>(223,412,060)</u>	<u>(206,464,172)</u>
Property and equipment, net	252,640,551	267,368,180
Construction work in progress	40,023,639	4,690,918
<b>Total Capital and Lease Assets, Net</b>	<u>292,664,190</u>	<u>272,059,098</u>
Restricted cash, cash equivalents, and investments	8,323,176	8,309,340
Prepaid expenses	381,988	337,131
Future recoverable costs	14,087,217	21,103,655
<b>Total Noncurrent Assets</b>	<u>315,456,571</u>	<u>301,809,224</u>
<b>Total Assets</b>	<u>469,628,653</u>	<u>456,734,847</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources – other	1,147,538	3,239,998
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 470,776,191</u>	<u>\$ 459,974,845</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 16,805,792	\$ 11,748,120
Accrued interest payable	1,445,025	1,527,987
Long-term debt due within one year	7,435,000	7,105,000
Lease liability due within one year	1,600,198	1,511,659
Derivative instruments – futures	644,219	2,434,429
Total current liabilities	<u>27,930,234</u>	<u>24,327,195</u>
<b>Noncurrent Liabilities</b>		
Long-term debt, net	133,022,283	141,422,567
Lease liability, net	8,091,611	9,691,809
<b>Total Noncurrent Liabilities</b>	<u>141,113,894</u>	<u>151,114,376</u>
<b>Total Liabilities</b>	<u>169,044,128</u>	<u>175,441,571</u>
<b>Deferred Inflows of Resources</b>		
Rate stabilization	28,671,000	28,671,000
Other	5,900,612	10,793,523
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>203,615,740</u>	<u>214,906,094</u>
<b>Net Position</b>		
Net investment in capital assets	150,057,790	121,379,496
Restricted for debt service	3,456,546	3,541,701
Unrestricted	113,646,115	120,147,554
<b>Total Net Position</b>	<u>267,160,451</u>	<u>245,068,751</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 470,776,191</u>	<u>\$ 459,974,845</u>

**Minnesota Municipal Power Agency**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Power sales to members	\$ 175,239,451	\$ 166,382,483
Power sales to nonmembers	12,006,944	5,414,985
<b>Total Operating Revenues</b>	<u>187,246,395</u>	<u>171,797,468</u>
<b>Operating Expenses</b>		
Power acquisition expense	69,447,056	59,370,672
Transmission	29,487,623	27,002,481
Other operating expenses	50,534,515	36,934,127
Depreciation and amortization	18,534,758	18,538,393
<b>Total Operating Expenses</b>	<u>168,003,952</u>	<u>141,845,673</u>
<b>Operating Income</b>	<u>19,242,443</u>	<u>29,951,795</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(5,754,758)	(6,174,814)
Investment income	5,862,914	6,630,347
Income tax on MRE tax status change	-	(632,848)
Loss on disposition of property	(93,916)	-
Gain on impairment of capital assets	1,621,976	-
Insurance recoveries	7,993,274	-
Other	236,205	80,055
<b>Total Nonoperating Revenues (Expenses), Net</b>	<u>9,865,695</u>	<u>(97,260)</u>
<b>Change in Net Position Before Future Recoverable Costs and Contributions in Aid of Construction</b>	29,108,138	29,854,535
<b>Future Recoverable Costs</b>	(7,016,438)	(6,893,024)
<b>Contributions in Aid of Construction</b>	-	4,185,173
<b>Plant Costs Recovered Through Contributions in Aid of Construction</b>	-	(4,185,173)
<b>Change in Net Position</b>	22,091,700	22,961,511
<b>Net Position, Beginning of Year</b>	245,068,751	222,107,240
<b>Net Position, End of Year</b>	<u>\$ 267,160,451</u>	<u>\$ 245,068,751</u>

**Minnesota Municipal Power Agency**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from power sales	\$ 185,755,975	\$ 172,062,767
Payments for power acquisition/production and operating expenses	(153,261,340)	(125,289,844)
<b>Net Cash Provided by Operating Activities</b>	<u>32,494,635</u>	<u>46,772,923</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Payment for income tax on MRE tax status change	-	(632,848)
Proceeds from insurance	2,037,094	-
Other nonoperating receipts	236,205	80,055
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>2,273,299</u>	<u>(552,793)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Construction of capital assets	(35,167,824)	(28,213,149)
Proceeds from insurance	2,651,306	-
Principal payments on electric revenue bonds	(7,105,000)	(6,760,000)
Principal payments on lease	(1,511,659)	(1,428,067)
Payment of interest	(6,712,854)	(7,134,447)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(47,846,031)</u>	<u>(43,535,663)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	11,640,636	11,640,337
Purchase of investments	(11,640,636)	(11,640,637)
Interest received	6,010,032	6,689,417
<b>Net Cash Provided by Investing Activities</b>	<u>6,010,032</u>	<u>6,689,117</u>
<b>Net Change in Cash and Cash Equivalents</b>	(7,068,065)	9,373,584
Cash and cash equivalents, beginning of year	131,060,458	121,686,874
Cash and cash equivalents, end of year	<u>\$ 123,992,393</u>	<u>\$ 131,060,458</u>
<b>Composition of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 120,256,168	\$ 127,186,102
Restricted cash and cash equivalents	3,736,225	3,874,356
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 123,992,393</u>	<u>\$ 131,060,458</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 19,242,443	\$ 29,951,795
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	18,534,758	18,538,393
Change in deferred inflows of resources – other	(4,892,911)	(850,126)
Changes in current assets and liabilities		
Power sales and other receivables	(2,120,760)	265,300
Fuel inventory	(229,219)	559,219
Plant inventory – spares	(749,430)	(417,315)
Renewable energy credit inventory	(39,442)	-
Prepaid expenses	(128,368)	(141,534)
Accounts payable and accrued liabilities	2,877,564	(1,132,809)
Total adjustments	<u>13,252,192</u>	<u>16,821,128</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 32,494,635</u>	<u>\$ 46,772,923</u>
<b>Supplemental Cash Flows Information</b>		
Amortization of premium on electric revenue bonds	\$ 965,284	\$ 965,284
Capital and lease assets in accounts payable and accrued liabilities	1,750,041	337,019
Change in fair value of investments	(145,288)	(56,603)
Change in fair value of derivative instruments - futures	1,790,210	7,274,952

See Notes to Financial Statements

## **Note 1. Organization and Significant Accounting Policies**

### ***Organization and Operation***

Minnesota Municipal Power Agency (the Agency) was created as a municipal corporation and a political subdivision of the State of Minnesota by an agency agreement recorded with the Secretary of the State of Minnesota on May 11, 1992. The Agency's purpose is to secure an adequate, economical, and reliable supply of electric energy for its member municipalities. As of December 31, 2025, the Agency comprises 12 Minnesota municipalities.

The accompanying financial statements present the Agency and its component units, entities for which the Agency is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Agency's operations.

Blended Component Units: The Agency owns 100% of Minnesota Renewable Energy, LLC. Minnesota Renewable Energy, LLC owns 100% of Oak Glen Wind Farm, LLC and 100% of Hometown BioEnergy, LLC. Oak Glen Wind Farm, LLC is responsible for the operation of Oak Glen Wind Farm, a 44 megawatt (MW) wind project located in Steele County, Minnesota. Hometown BioEnergy, LLC is responsible for the operation of the Hometown BioEnergy project, an 8 MW renewable energy project located in Le Sueur, Minnesota. The Agency owns 100% of Hometown GeoPower, LLC. Hometown GeoPower, LLC provides services to residents of the Agency's member municipalities. The Agency owns 100% of MMPA Transmission LLC. MMPA Transmission LLC holds the Agency's transmission-related assets. Complete unaudited financial statements for each of the individual component units may be obtained from the Agency. Separate audited financial statements for MMPA Transmission LLC may also be obtained from the Agency.

The Agency sells power to its members under long-term power sales contracts. Eleven of the Agency's power sales contracts with members have a term that expires December 31, 2060. One of the Agency's power sales contracts with a member has a term that expires October 31, 2040. Under the terms of these contracts, the Agency is obligated to furnish, and each member is obligated to take and pay for, the total power and energy required by each member.

The Agency has entered into agreements with various providers to purchase accredited power and energy during 2025. The power capacity charge for 2025 is approximately \$4.7 million. Capacity commitments and charges include capacity purchased pursuant to an agreement with the City of Chaska, a member of the Agency. Under the terms of that agreement and its amendment, the Agency has agreed to make certain payments to the City of Chaska in exchange for the peaking power capacity provided by specified generation facilities owned by the City of Chaska in an amount at least sufficient, together with certain available interest income, to pay the principal of and interest on the bonded indebtedness issued by the City of Chaska for the construction of the generation facility.

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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Minimum commitments under the terms of the power sales agreements to purchase power capacity for the next five years are as follows:

	<u>Megawatts</u>
Year ending December 31:	
2026	130
2027	135
2028	140
2029	145
2030	40

The Agency purchases transmission services from the Midcontinent Independent System Operator, Inc. (MISO) at tariff-based rates.

The Agency enters into contracts in connection with the purchase, generation, and sale of electric power to or from its member cities, MISO, and other wholesale market participants. A substantial portion of these contracts are for the purchase of natural gas at power plants owned and operated by the Agency and for the physical delivery of power to designated interconnection points on the electric grid as a normal course of business. Substantially all of the Agency's power purchases and sales are with MISO. The Agency also enters into futures or forward contracts to manage exposure to unfavorable trends in the prices of fuel (natural gas) and electric power, which are directly related to the business of the Agency. Open positions at the end of the year that will not result in the physical delivery of the respective commodity being contracted are carried at fair value in the Agency's financial statements with an offsetting deferral amount to reflect the effectiveness of the risk management activity.

Additionally, the Agency has agreements for dispatching, billing, maintenance services, and other general administration. The Agency has a contract with Avant Energy, Inc. to manage the Agency, which terminates on December 31, 2030. The Agency has no employees.

***Basis of Accounting***

The Agency follows the FERC's Uniform System of Accounts and maintains accounting records on an accrual basis in conformity with U.S. generally accepted accounting principles, including the application of Governmental Accounting Standards Board (GASB) Codification Section Re10, *Regulated Operations*. The guidance allows for the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

***Capital Assets***

The Agency follows a preventative and predictive approach to its maintenance of its generation resources. For the Faribault Energy Park (FEP) facility the Agency inspects the combustion turbine and steam turbine and performs major maintenance based on the condition of the unit and/or at intervals suggested by the turbine manufacturers. Periodically, one set of combustion parts is removed from the turbine and a replacement set is rotated into the turbine. The parts that have been removed are refurbished and are then ready to be rotated back into the turbine at the next major maintenance cycle. The Agency is depreciating the cost of the combustion turbine spare parts over the remaining life of the FEP asset. The amount on the statements of net position is the gross acquisition cost, with depreciation associated with the parts included in accumulated depreciation.

Equipment is recorded at cost and consists of telecommunication equipment, transportation equipment, and certain maintenance/testing equipment. Depreciation is provided over the estimated useful lives of the property and equipment by use of the straight-line method. Generally, the estimated useful life is 30 years for electric plant, 40 years for transmission assets, and 5 years for telecommunications equipment and transportation equipment. Other specialized equipment may differ.

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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Construction work in progress (CWIP) represents costs incurred for utility plant projects that are not yet placed in service. The increase in CWIP during 2025 is primarily attributable to investment in a renewable natural gas facility, as well as capital improvements and upgrade activities at existing generation facilities.

As of December 31, 2025, the Agency had approximately \$84.9 million in contractual commitments related to these projects. These projects are expected to be placed into service over the next several years, at which time the related costs will be reclassified to utility plant in service and depreciated over their estimated useful lives.

***Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the assets into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

***Capital and Lease Asset Impairment***

The Agency evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital or lease asset historical cost and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals impairment loss. A partial impairment loss, net of insurance recoveries, related to the FEP transformer was recognized during the year ended December 31, 2025. No asset impairment was recognized during the year ended December 31, 2024.

***Restricted Cash, Cash Equivalents, and Investments***

The Agency's bond indenture requires the segregation of bond proceeds and prescribes the application of the Agency's revenues. Amounts classified as restricted cash and cash equivalents on the statements of net position represent cash and cash equivalents whose use is restricted by the bond indenture. It is the Agency's policy to use restricted resources first for debt service and then unrestricted resources as they are needed.

***Investments and Investment Income***

The Agency's investments in money market accounts are carried at cost, which approximates fair value. All other investments are reported at fair value based on quoted market prices. Investment income consists of interest and dividend income, the net change for the year in the fair value of investments carried at fair value, and realized gains and losses from sales and maturities of investment securities.

***Regulated Operations***

***Future Recoverable Costs***

Rates charged to members include amounts sufficient to pay levelized principal and interest payments on long-term debt. For financial reporting purposes, the Agency recognizes depreciation and amortization pertaining to capital and lease assets and other assets financed by long-term debt in addition to interest paid on such debt. As permitted by the application of GASB Codification Section Re10, *Regulated Operations*, the Agency defers the current depreciation, amortization, and interest costs in excess of levelized principal and interest costs on long-term debt for assets placed into service prior to September 24, 2013 and after December 15, 2015. These costs will be recovered through rates charged to members in future periods when the levelized costs of principal and interest on long-term debt exceed the then current depreciation and amortization and interest costs related to such issues.

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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In December 2020, the Agency's Board of Directors approved amortizing these remaining deferred costs, which amounted to approximately \$50 million at December 31, 2020, over a seven-year period beginning in 2021. In accordance with GASB Codification Section Re10, *Regulated Operations*, this amortization is factored into the Agency's rate-setting process.

For financial reporting purposes, the Agency also reports investments and restricted investments at fair value. As permitted by the application of GASB Codification Section Re10, *Regulated Operations*, the Agency defers changes in the fair value of investments and restricted investments that the Agency intends to hold to maturity.

***Deferred Inflows of Resources – Rate Stabilization***

In setting rates, the Agency has from time to time deferred revenues from a current period to a future period to support the Agency's goal of providing stable long-term rates to members. These deferred revenues are reported as deferred inflows of resources – rate stabilization on the Agency's statements of net position.

***Deferred Inflows of Resources – Other***

Deferred inflows of resources – other includes the amount accrued by the Agency for future major maintenance of its combustion turbine and steam turbine generation resources. As permitted by the application of GASB Codification Section Re10, *Regulated Operations*, the Agency recognizes major maintenance expense for combustion turbine and steam turbine generation resources both on a per-start basis and over time. These expenses are accrued as a deferred inflow of resources. The accrued amount is reduced when the Agency performs major maintenance on its combustion turbine and steam turbine generation resources.

Deferred inflows of resources – other also includes the amount accrued by the Agency related to the operation of its Energy Adjustment Clause.

***Unamortized Debt Premium***

The Agency's debt premium is amortized over the repayment period of the related issues using the straight-line method, which approximates the effective-interest method.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, cash equivalents are cash and equivalents and investments having an initial maturity of three months or less when purchased.

***Power Sales Receivables***

Power sales receivables represent power sales for the period between the last billing date and the end of the period that are accrued in the period earned.

***Fuel Inventory and Plant Inventory – Spares***

Fuel inventory and plant inventory – spares are valued on a cost basis, using the first-in, first-out (FIFO) method, which does not exceed market.

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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***Deferred Outflows of Resources***

Deferred outflows of resources include the unamortized difference between reacquisition price and net carrying amount related to the Agency's bond refunding activities. The deferred outflows of resources related to the bond refunding activities will be amortized through 2034. Deferred outflows of resources also include the offsetting deferral amount to reflect the effectiveness of the Agency's hedging derivative instruments.

***Derivative Instruments - Futures***

The Agency engages in certain futures market activities to manage future energy acquisition cost risk. The Agency may enter into energy financial futures and forward contracts to buy or sell energy in order to manage the risk of volatility in the market price of anticipated energy transactions. The Agency does not enter into derivative instruments for speculative purposes. Fair value is estimated by comparing contract prices to forward market prices quoted by independent third-party pricing services. The Agency's derivative instruments are considered effective and are recorded as either an asset or liability on the statement of net position, with an offsetting deferred inflow or outflow of resources.

***Rates***

Rates and charges for providing wholesale power supply are reviewed and adopted by the Agency's Board of Directors. Power supply services provided by the Agency are not subject to state or federal rate regulation.

***Revenue Recognition***

The Agency recognizes revenue on sales when the electricity is provided to and used by the customers. The Agency reports only the net amount of operating revenues – power sales and power purchases expense resulting from its transactions with MISO as revenue.

***Operating Revenues and Expenses***

Operating revenues result from exchange transactions associated with the principal activity of the Agency, the sale of electricity. Reported operating revenues are affected by contributions to or distributions from the rate stabilization account. Operating expenses are defined as expenses directly related to, or incurred in support of, the production and transmission of electricity to the participating members. All other expenses are classified as nonoperating expenses.

***Recovery of Plant Costs***

Contributions in aid of construction are received from third parties to offset the costs associated with expansion of the Agency's electric system. The Agency follows FERC guidelines for recording contributions in aid of construction. These guidelines direct the reduction of electric plant by the amount of these contributions. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, while continuing to follow FERC guidelines, contributions in aid of construction are recorded as income and offset by an expense in the same amount representing the recovery of plant costs.

***Income Taxes***

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

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent 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 2. Cash, Cash Equivalents, and Investments**

The agency agreement that established the Agency and the bond indenture, under which the Electric Revenue Bonds were issued, provides for the creation and maintenance of certain funds and accounts. The funds and accounts consist principally of deposits and investments in accordance with the agency agreement, bond indenture, and applicable state law. Funds and accounts are reported in the financial statements as follows:

	<b>December 31</b>	
	<b>2025</b>	<b>2024</b>
Current assets		
Cash and cash equivalents	\$ 120,256,168	\$ 127,186,102
Restricted cash and cash equivalents	3,456,546	3,541,701
	<u>123,712,714</u>	<u>130,727,803</u>
Noncurrent assets		
Restricted cash and cash equivalents	279,679	332,655
Restricted investments	8,043,497	7,976,685
	<u>8,323,176</u>	<u>8,309,340</u>
Total	<u>\$ 132,035,890</u>	<u>\$ 139,037,143</u>

In accordance with its investment policy, the Agency invests in the following types of investments, subject to the limitations and requirements of Minnesota statutes:

- Interest bearing checking accounts
- U.S. Treasury bills, bonds, and notes
- U.S. government agencies and instrumentalities securities
- State and local securities
- Minnesota Joint Powers Investment Trusts
- Certificates of deposit
- Banker’s acceptances of U.S. banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by U.S. corporations or their Canadian subsidiaries, of the highest quality and maturing within 270 days
- Money market mutual funds – open-end, no-load
- Guaranteed investment contracts
- Repurchase agreements fully (100%) collateralized by U.S. securities

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates.

The Agency had the following investments and maturities as of December 31, 2025 and 2024:

	Carrying Value	Maturities in Years			More Than 10
		Less Than 1	1 - 5	6 - 10	
<b>December 31, 2025</b>					
U.S. government agencies	\$ 8,043,497	\$ 5,890,801	\$ -	\$ 2,152,696	\$ -
Money market accounts	123,992,393	123,992,393	-	-	-
	<u>\$ 132,035,890</u>	<u>\$ 129,883,194</u>	<u>\$ -</u>	<u>\$ 2,152,696</u>	<u>\$ -</u>
<b>December 31, 2024</b>					
U.S. government agencies	\$ 7,976,685	\$ 5,881,469	\$ -	\$ 2,095,216	\$ -
Money market accounts	131,060,458	131,060,458	-	-	-
	<u>\$ 139,037,143</u>	<u>\$ 136,941,927</u>	<u>\$ -</u>	<u>\$ 2,095,216</u>	<u>\$ -</u>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. The money market accounts are invested in short-term U.S. government securities and commercial paper.

The following tables list the credit quality ratings per Standard & Poor's and/or Moody's of the Agency's investments as of December 31, 2025 and 2024:

Investment type	Carrying Value	December 31, 2025		
		Quality ratings		
		AA	AAA	Unrated
U.S. government agencies	\$ 8,043,497	\$ 8,043,497	\$ -	\$ -
Money market accounts	123,992,393	-	3,736,225	120,256,168
Total	<u>\$ 132,035,890</u>	<u>\$ 8,043,497</u>	<u>\$ 3,736,225</u>	<u>\$ 120,256,168</u>
Investment type	Carrying Value	December 31, 2024		
		Quality ratings		
		AA	AAA	Unrated
U.S. government agencies	\$ 7,976,685	\$ 7,976,685	\$ -	\$ -
Money market accounts	131,060,458	-	3,874,357	127,186,101
Total	<u>\$ 139,037,143</u>	<u>\$ 7,976,685</u>	<u>\$ 3,874,357</u>	<u>\$ 127,186,101</u>

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. The Agency’s investment policy addresses, among other things, custodial credit risk. At December 31, 2025 and 2024, all of the Agency’s investments are insured and registered and are held by the counterparty’s trust department or agent in the Agency’s name.

***Concentration of Credit Risk***

Concentration of credit risk is the risk associated with the amount of investments the Agency has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. The Agency does not have an investment policy related to investing 5% or more of the Agency’s portfolio in the securities of a single issue. At December 31, 2025 and 2024, the Agency did not have any investment concentrations greater than 5%.

***Investment Income***

Investment income was comprised of the following for the years ended December 31, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Interest and dividend income	\$ 6,008,202	\$ 6,686,950
Net decrease in the fair value of investments	(145,288)	(56,603)
Net investment income	\$ 5,862,914	\$ 6,630,347

**Minnesota Municipal Power Agency**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 3. Capital and Lease Assets**

Capital and lease assets activity was as follows:

	<b>2025</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Nondepreciable capital and lease assets					
Construction work in progress	\$ 4,690,918	\$ 36,099,604	\$ (14,103)	\$ (752,780)	\$ 40,023,639
Land	33,014,257	-	-	1,383	33,015,640
Depreciable capital and lease assets					
Telemetry and telecommunication	1,360,971	5,288	-	-	1,366,259
Lease asset	16,460,817	-	-	-	16,460,817
Plant	413,152,102	4,151,306	(2,689,115)	751,397	415,365,690
Rotable combustion turbine parts	9,844,205	-	-	-	9,844,205
Less accumulated depreciation and amortization for					
Lease assets in service	(6,371,929)	(1,592,982)	-	-	(7,964,911)
Plant assets in service	(200,092,243)	(16,941,776)	1,586,870	-	(215,447,149)
Capital and lease assets, net	<u>\$ 272,059,098</u>	<u>\$ 21,721,440</u>	<u>\$ (1,116,348)</u>	<u>\$ -</u>	<u>\$ 292,664,190</u>
	<b>2024</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Nondepreciable capital and lease assets					
Construction work in progress	\$ 1,376,994	\$ 24,186,305	\$ (174,538)	\$ (20,697,843)	\$ 4,690,918
Land	10,893,841	-	-	22,120,416	33,014,257
Depreciable capital and lease assets					
Telemetry and telecommunication	1,341,705	-	-	19,266	1,360,971
Lease asset	16,460,817	-	-	-	16,460,817
Plant	414,593,941	-	-	(1,441,839)	413,152,102
Rotable combustion turbine parts	9,844,205	-	-	-	9,844,205
Less accumulated depreciation and amortization for					
Lease assets in service	(5,403,871)	(1,592,982)	-	624,924	(6,371,929)
Plant assets in service	(182,521,908)	(16,945,411)	-	(624,924)	(200,092,243)
Capital and lease assets, net	<u>\$ 266,585,724</u>	<u>\$ 5,647,912</u>	<u>\$ (174,538)</u>	<u>\$ -</u>	<u>\$ 272,059,098</u>

**Note 4. Long-Term Liabilities**

The Agency has issued the following Electric Revenue Bonds to finance its construction activities:

	<b>2025</b>	<b>2024</b>
Series 2014, 2.00%–5.00%, due October 1, 2015 to 2044	\$ 27,200,000	\$ 29,340,000
Series 2014A, 3.50%–5.00%, due October 1, 2016 to 2035	45,940,000	49,490,000
Series 2016, 2.13%–5.00%, due October 1, 2018 to 2047	53,660,000	55,075,000
Total bonds outstanding	126,800,000	133,905,000
Less current maturities	(7,435,000)	(7,105,000)
Add unamortized premium	13,657,283	14,622,567
	<u>\$ 133,022,283</u>	<u>\$ 141,422,567</u>

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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Debt service requirements on the outstanding bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 7,435,000	\$ 5,780,094	\$ 13,215,094
2027	7,810,000	5,408,344	13,218,344
2028	8,150,000	5,062,694	13,212,694
2029	8,470,000	4,741,219	13,211,219
2030	8,895,000	4,317,719	13,212,719
2031–2035	47,820,000	15,164,880	62,984,880
2036–2040	14,000,000	7,595,250	21,595,250
2041–2045	16,880,000	4,346,850	21,226,850
2046–2047	7,340,000	555,000	7,895,000
	<u>\$ 126,800,000</u>	<u>\$ 52,972,050</u>	<u>\$ 179,772,050</u>

The Agency has an agreement with the City of Chaska to purchase capacity, described more fully in Note 1. The agreement is without collateral. A portion of the payments under this agreement are accounted for as a lease. The Agency also has an equipment lease agreement with the City of Chaska. Future minimum payments under these agreements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Executory Costs</u>	<u>Payment</u>
2026	\$ 1,600,198	\$ 512,372	\$ 435,808	\$ 2,548,378
2027	1,693,975	418,595	435,808	2,548,378
2028	1,793,302	319,267	435,808	2,548,377
2029	1,898,510	214,060	435,808	2,548,378
2030	2,009,948	102,622	435,808	2,548,378
2031	695,876	8,314	196,897	901,087
	<u>\$ 9,691,809</u>	<u>\$ 1,575,230</u>	<u>\$ 2,375,937</u>	<u>\$ 13,642,976</u>

**Minnesota Municipal Power Agency**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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

<b>December 31, 2025</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Long-term bonds	\$ 133,905,000	\$ -	\$ (7,105,000)	\$ 126,800,000	\$ 7,435,000
Add unamortized premium	14,622,567	-	(965,284)	13,657,283	-
Long-term bonds, net	148,527,567	-	(8,070,284)	140,457,283	7,435,000
Lease liability	11,203,468	-	(1,511,659)	9,691,809	1,600,198
Total long-term liabilities	<u>\$ 159,731,035</u>	<u>\$ -</u>	<u>\$ (9,581,943)</u>	<u>\$ 150,149,092</u>	<u>\$ 9,035,198</u>
<b>December 31, 2024</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Long-term bonds	\$ 140,665,000	\$ -	\$ (6,760,000)	\$ 133,905,000	\$ 7,105,000
Add unamortized premium	15,587,851	-	(965,284)	14,622,567	-
Long-term bonds, net	156,252,851	-	(7,725,284)	148,527,567	7,105,000
Lease liability	12,631,535	-	(1,428,067)	11,203,468	1,511,659
Total long-term liabilities	<u>\$ 168,884,386</u>	<u>\$ -</u>	<u>\$ (9,153,351)</u>	<u>\$ 159,731,035</u>	<u>\$ 8,616,659</u>

**Note 5. Derivatives and Financial Instruments**

The Agency has entered into financial futures contracts to manage the risk of volatility of future cash flows associated with the purchase of energy because of commodity price volatility. By entering into these arrangements, the Agency will receive and make payments based on market prices without actually entering into the related commodity transactions. These arrangements are considered derivative instruments under the provisions of GASB Codification Section D40, *Derivative Instruments*. In accordance with this guidance, as the Agency's derivative instruments are considered effective hedges, the accumulated change in fair value of these derivative instruments is recognized as a deferred inflow or outflow of resources on the statements of net position. The fair value of these contracts is determined by comparing the contract price to the forward market prices quoted by an independent external pricing service and discounted using established interest rate indexes. Realized gains and losses from derivative instruments are recognized as power acquisition expense on the statements of revenues, expenses and changes in net position in the month the contract expires.

**Cash Flow Hedges** – Cash flow hedges are derivative instruments associated with a hedgeable item that significantly reduces an identified financial risk by substantially offsetting a change in cash flows or fair values of the hedgeable item. At December 31, 2025, the fair value of derivative instruments – futures is \$(644,219) classified as a current liability, with an offsetting deferred outflow of resources. At December 31, 2024, the fair value of derivative instruments – futures is \$(2,434,429) classified as a current liability, with an offsetting deferred outflow of resources. The change in fair value of derivative instruments – futures was an increase of \$1,790,210 for 2025, and an increase of \$7,274,952 for 2024.

**Minnesota Municipal Power Agency**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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Notional Values – As of December 31, 2025 and 2024, the Agency had 515 and 378 total outstanding contracts, respectively. These contracts are structured with a standard quantity of 10,000 MMBtu per contract.

Credit risk – Credit risk is the risk that results when counterparties or the clearing agent are unable or unwilling to fulfill their obligations. The Agency addresses this risk with the counterparties by executing these contracts using an independent clearing agent, which requires collateral and will spread any unfilled obligations across all participants utilizing their services. The risk of default by the clearing agent is mitigated by their membership in the commodities clearing house, which requires collateral and guaranty funds by each clearing agent to be used to offset any socialized unfilled obligations between member clearing agents.

Basis risk – Basis risk is the risk that arises when variable rates or prices of a derivative instrument and the risk exposure being managed are based on different reference rates. The Agency is exposed to this risk because of a difference in commodity value between different generating sites and delivery points.

The Agency's derivative instruments – futures at December 31, 2025 consist of cash flow hedges with the following terms:

	<b>Notional Amount</b>	<b>Fair Value</b>	<b>Maturity Date</b>
Pay-fixed, receivable variable commodity swap	380,000 MMBtu	\$ (68,950)	2/1/2026
Pay-fixed, receivable variable commodity swap	350,000 MMBtu	(143,150)	3/1/2026
Pay-fixed, receivable variable commodity swap	290,000 MMBtu	(34,672)	4/1/2026
Pay-fixed, receivable variable commodity swap	400,000 MMBtu	(42,564)	5/1/2026
Pay-fixed, receivable variable commodity swap	590,000 MMBtu	(28,694)	6/1/2026
Pay-fixed, receivable variable commodity swap	790,000 MMBtu	(85,139)	7/1/2026
Pay-fixed, receivable variable commodity swap	710,000 MMBtu	(72,141)	8/1/2026
Pay-fixed, receivable variable commodity swap	510,000 MMBtu	(44,471)	9/1/2026
Pay-fixed, receivable variable commodity swap	370,000 MMBtu	(22,468)	10/1/2026
Pay-fixed, receivable variable commodity swap	340,000 MMBtu	(53,720)	11/1/2026
Pay-fixed, receivable variable commodity swap	420,000 MMBtu	(48,250)	12/1/2026
		<u>\$ (644,219)</u>	

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

The Agency's derivative instruments – futures at December 31, 2024 consist of cash flow hedges with the following terms:

	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Pay-fixed, receivable variable commodity swap	120,000 MMBtu	\$ (182,100)	1/1/2025
Pay-fixed, receivable variable commodity swap	240,000 MMBtu	(302,546)	2/1/2025
Pay-fixed, receivable variable commodity swap	230,000 MMBtu	(322,757)	3/1/2025
Pay-fixed, receivable variable commodity swap	160,000 MMBtu	(170,996)	4/1/2025
Pay-fixed, receivable variable commodity swap	250,000 MMBtu	(221,949)	5/1/2025
Pay-fixed, receivable variable commodity swap	450,000 MMBtu	(267,840)	6/1/2025
Pay-fixed, receivable variable commodity swap	620,000 MMBtu	(271,342)	7/1/2025
Pay-fixed, receivable variable commodity swap	580,000 MMBtu	(239,924)	8/1/2025
Pay-fixed, receivable variable commodity swap	380,000 MMBtu	(156,998)	9/1/2025
Pay-fixed, receivable variable commodity swap	240,000 MMBtu	(142,707)	10/1/2025
Pay-fixed, receivable variable commodity swap	210,000 MMBtu	(79,147)	11/1/2025
Pay-fixed, receivable variable commodity swap	300,000 MMBtu	(76,123)	12/1/2025
		<u>\$ (2,434,429)</u>	

**Note 6. Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The Agency's investment in money market accounts are carried at cost and thus are not included within the fair value hierarchy.

**Valuation Methodologies**

**U.S. Government Securities:** The fair value of U.S. government securities is derived from quoted prices on similar assets in active or non-active markets, from other observable inputs such as interest rates, yield curves, or credit spreads, and inputs that are derived from or corroborated by observable market data. U.S. treasury and other federal agency securities are included as Level 2 assets.

**Minnesota Municipal Power Agency  
Notes to Financial Statements  
December 31, 2025 and 2024**

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**Derivative Instruments:** Energy financial futures contracts use the market approach based on monthly quoted prices from an independent external pricing service using market quotes. The market is not active to the point where identical contracts are available on a regular basis. These derivative instruments are included as Level 2 liabilities.

**Note 7. Power Acquisition Expense**

Power acquisition expense consists primarily of power purchases, production fuel, and related expenses. The Agency sells substantially all of the power and energy produced by its generating facilities into the MISO market and purchases substantially all of its power and energy needs for sales to members and others from the MISO market. The Agency reports its purchases from and sales to MISO on a net basis. The components of power acquisition expense are as follows:

	<u>2025</u>	<u>2024</u>
Power purchases	\$ 47,234,603	\$ 40,599,903
Production fuel	22,212,453	18,770,769
Total Power Acquisition Expense	<u>\$ 69,447,056</u>	<u>\$ 59,370,672</u>

**Note 8. Credit Facilities**

The Agency entered into a \$20.0 million credit facility on May 1, 2016. The facility was renewed on May 1, 2019, April 1, 2022, and again on May 5, 2025. It expires on May 5, 2028, and is secured by a pledge of the net revenues of the Agency. The commitment fee is 0.40% per annum; interest on outstanding balances is tied to the Secured Overnight Financing Rate (SOFR) index. There were no amounts outstanding as of December 31, 2025 or 2024. On December 17, 2025, there were two letters of credit issued under the credit facility in the amounts of \$7,409,801 and \$3,992,175. The commitment fee on the letters of credit is 0.75% per annum, and these letters of credit remained outstanding as of December 31, 2025.

**Note 9. Risk Management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The Agency participates in a public entity risk pool related to municipal liability. The Agency has a \$100,000 deductible per occurrence, with a \$200,000 annual maximum deductible for its liability coverage. The Agency also purchases municipal automobile coverage from the same public entity risk pool with a \$1,000 deductible per occurrence.

The public entity risk pool has purchased a reinsurance policy to guard against excessive losses.

The Agency also carries commercial insurance for its risks of property loss, business interruption, general liability, cyber liability, pollution liability, and public officials liability. The Agency’s property loss has varying deductibles based on the equipment insured that range from \$250,000 to \$1,500,000. The Agency’s business interruption insurance has a 60 day deductible.

**Minnesota Municipal Power Agency**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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The Agency also has an umbrella policy related to its municipal automobile insurance and general liability insurance.

The Agency's Faribault Energy Park plant faced a failure of one of its main generator step-up transformers in 2025. The transformer was replaced, and the Agency submitted a property loss and business interruption insurance claim to its insurer. The claims were paid consistent with the costs incurred, less the respective deductibles.

The Agency's Minnesota River Station faced a failure in its gas turbine in 2025. The gas turbine was repaired, and the Agency coordinated with the City of Chaska to submit a property loss claim to the plant insurer. The claim was recorded as an insurance receivable at year-end 2025, with proceeds received in January 2026. The amount recognized reflected the payments received.

Settled claims have not exceeded insurance coverage in any of the past three years for any of the Agency's insurance policies.

### **Note 10. Contingencies**

The Agency is a party to various contracts for the sale, purchase, and transmission of power. In the ordinary course of business, contractual disputes sometimes occur between the Agency and its counterparties. The Agency does not expect the outcome of any existing dispute resolution proceedings to have a material adverse impact on financial position, results of operations, or cash flows.

The Agency is a market participant in the MISO "Day 2" electricity markets. MISO does not provide final settlement results for a trading day until 105 days after a trading day, with infrequent resettlements occurring more than 105 days after a trading day. The financial statements reflect the Agency's best estimates of final settlement results.

### **Note 11. Concentrations**

#### ***Major Customers***

Sales to four customers were approximately 77% of total operating revenues for both of the years ended December 31, 2025 and 2024. Approximately 70% and 72% of total customer accounts receivable were owed from four customers at December 31, 2025 and 2024, respectively.

### **Note 12. Subsequent Events**

On April 2, 2026, the Agency acquired 100% of the membership interests of Saint Croix Renewable Energy Center LLC (Project Company), which is developing a utility-scale solar generation project in Chisago County, Minnesota. The Saint Croix Renewable Energy Center, LLC is expected to be reported as a blended component unit of the Agency.

The total purchase price is payable through milestone-based payments tied to project development progress. An initial payment of approximately 10% of the total purchase price was made at closing, with remaining payments contingent upon the achievement of specified development milestones, estimated at approximately \$8.2 million. The Agency may elect to discontinue the project, in which case no further payments would be required.

In connection with the acquisition, the Agency caused letters of credit to be issued to the Midcontinent Independent System Operator (MISO) to support the Project Company's position in the interconnection queue. These letters of credit replaced existing instruments previously issued by the project's prior owner and are associated with specified development milestones within the MISO interconnection process. The Agency issued letters of credit totaling approximately \$7.2 million related to this arrangement.