

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

YEAR ENDED DECEMBER 31, 2022



Hoffman, Philipp, & Martell, PLLC

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

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TWIN VALLEY, MINNESOTA**

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## **INTRODUCTORY SECTION**

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2022**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
<b>Elected</b>		
Benjamin Fall <sup>1</sup>	Mayor	December 31, 2024
Michael Bolton <sup>2</sup>	Vice-Mayor	December 31, 2026
Mark Askelon	Council Member	December 31, 2024
Paul Bekkerus	Councilmember	December 31, 2024
Mike Lampton <sup>3</sup>	Councilmember	December 31, 2026
<b>Appointed</b>		
Rachel L. Johnson	Clerk/Treasurer	Indefinite

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1 Benjamin Fall resigned from City Council on January 30, 2023. His seat is currently vacant.

2 Became Mayor on January 30, 2023.

3 Became Vice-Mayor as of January 30, 2023.

## **FINANCIAL SECTION**

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Twin Valley

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley, as of December 31, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *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 that raise substantial doubt about the City of Twin Valley's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Twin Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in 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 that raise substantial doubt about the City of Twin Valley'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 in our audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison information 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 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.



### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Twin Valley's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2023, on our consideration of the City of Twin Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Twin Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Twin Valley's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell".

Hoffman, Philipp, & Martell, PLLC  
April 6, 2023



## CITY OF TWIN VALLEY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The management of the City of Twin Valley offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Twin Valley for the fiscal year ended December 31, 2022. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

#### FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$1,780,853 of which \$643,908 is the net investment in capital assets, \$107,846 is restricted for culture and recreation and economic development, and \$1,029,099 is unrestricted. The total net position of governmental activities increased by \$153,889 for the year ended December 31, 2022. This is attributed primarily due to changes in actuarial assumptions related to pensions, and the sale of old city assets.

The total net position of business-type activities is \$4,499,931 of which \$2,174,590 is the net investment in capital assets, \$597,420 is restricted for debt service, and \$1,727,921 is unrestricted. The total net position of business-type activities increased by \$9,065 in 2022, primarily due to transfers in from the General Fund.

At the close of 2022, the City's governmental funds reported combined ending fund balances of \$962,369, an increase of \$12,321 from the prior year. Of the total fund balance amount, \$107,846 is legally or contractually restricted for economic development and culture and recreation, \$810,795 is assigned for specific purposes, and \$43,728 is the unassigned fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Position* and the *Statement of Activities*, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, highways and streets, culture and recreation, conservation of natural resources, and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities**—The City charges fees to cover the costs of certain services it provides. Included here are the operations of the municipal liquor dispensary, sanitation, sewer, storm utility, and water.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Twin Valley, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the *Balance Sheet – Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports three governmental fund types: General, Special Revenue, and Capital Projects. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the

General Fund, which is considered to be a major fund. Data from the other nonmajor governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Twin Valley adopts annual budgets for its General Fund. A *Budgetary Comparison Schedule* has been provided for this fund to demonstrate compliance with its budget.

**Proprietary Funds:** The City of Twin Valley maintains five proprietary funds. 1) The Liquor Enterprise Fund is used to account for operations of the municipal liquor dispensary. Financing is provided through the liquor store's sale of on and off-sale liquor. 2) The Sanitation Enterprise Fund is used to account for operations of the garbage collection system. Financing is provided by charges to residents for services. 3) The Sewer Enterprise Fund is used to account for the operations of the City's sewer system. Financing is provided by charges to residents for services. 4) The Water Enterprise Fund is used to account for the operations of the City's water system. Financing is provided by charges to residents for services. 5) The Storm Utility Enterprise Fund is used to account for the operations of the City's storm drainage utility. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements and are included in the *Statement of Net Position* and the *Statement of Activities* as business-type activities. All of the enterprise funds are considered to be major funds except the Storm Utility Enterprise Fund which is presented with the major funds.

## Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found beginning on page 27 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information*. The City also provides supplementary and other information including *Combining Statements* and a *Schedule of Intergovernmental Revenue*.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$6,280,784 at the close of 2022. Approximately 45 percent of the City's net position reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 11 percent of the City's net position is restricted for specific purposes, and 44 percent of the City's net position is unrestricted. The unrestricted net position amount of \$2,757,020 as of December 31, 2022, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets decreased by \$45,616 from the prior year, primarily due to the depreciation of capital assets. Total liabilities increased by \$479,138 from the prior year, primarily due to an increase in the net pension liability. Deferred outflows of resources and deferred inflows of resources increased by a net amount of \$10,391 related to pension expenses. This resulted in an increased net position of \$162,954 from the prior year.

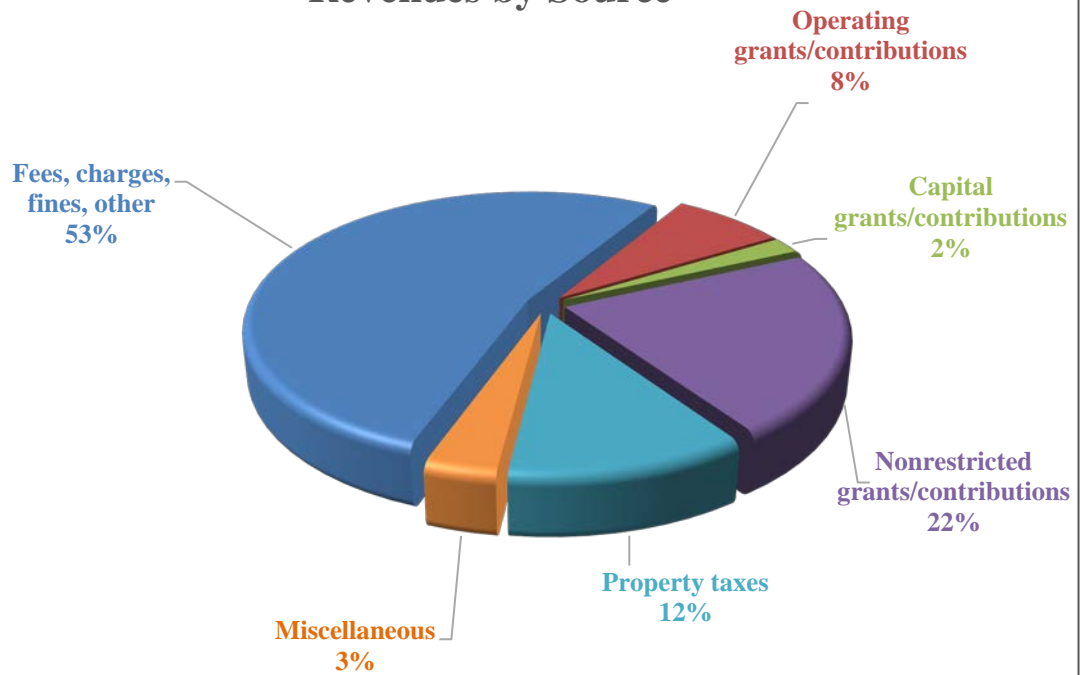
## NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,267,790	\$ 1,296,508	\$ 2,589,690	\$ 2,598,664	\$ 3,857,480	\$ 3,895,172
Capital assets	680,080	638,797	4,378,590	4,427,796	5,058,670	5,066,593
Total assets	\$ 1,947,870	\$ 1,935,305	\$ 6,968,280	\$ 7,026,460	\$ 8,916,150	\$ 8,961,765
Deferred Outflows - pensions	\$ 564,137	\$ 203,184	\$ 66,396	\$ 78,300	\$ 630,533	\$ 281,484
Other liabilities	\$ 38,129	\$ 34,234	\$ 97,901	\$ 28,431	\$ 136,030	\$ 62,665
Long-term liabilities outstanding	669,044	215,248	2,432,912	2,480,935	3,101,956	2,696,183
Total liabilities	\$ 707,173	\$ 249,482	\$ 2,530,813	\$ 2,509,366	\$ 3,237,986	\$ 2,758,848
Deferred Inflows - pensions	\$ 23,981	\$ 262,043	\$ 3,932	\$ 104,528	\$ 27,913	\$ 366,571
Net position						
Net investment in capital assets	\$ 643,908	\$ 584,539	\$ 2,174,590	\$ 2,084,957	\$ 2,818,498	\$ 2,669,496
Restricted	107,846	112,087	597,420	643,417	705,266	755,504
Unrestricted amounts	1,029,099	930,338	1,727,921	1,762,492	2,757,020	2,692,830
Total net position	\$ 1,780,853	\$ 1,626,964	\$ 4,499,931	\$ 4,490,866	\$ 6,280,784	\$ 6,117,830

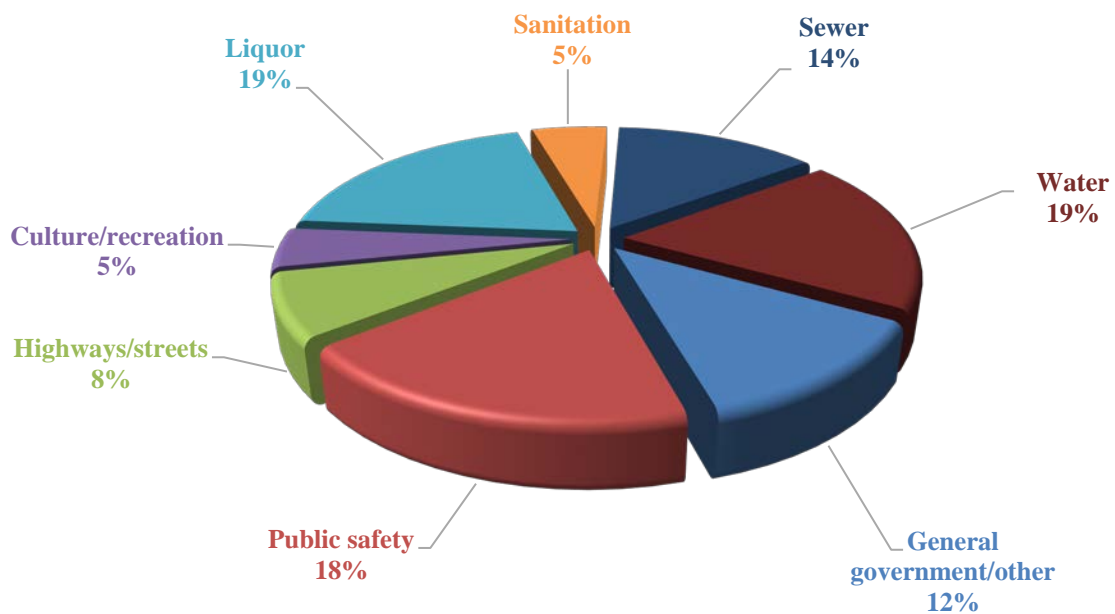
## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 129,045	\$ 72,075	\$ 748,887	\$ 749,083	\$ 877,932	\$ 821,158
Operating grants and contributions	126,418	137,667	-	-	126,418	137,667
Capital grants and contributions	5,634	2,132	26,901	43,655	32,535	45,787
General Revenues and Transfers						
Property taxes	192,294	161,332	-	-	192,294	161,332
Grants and contributions not restricted to specific programs	342,547	364,093	23,638	23,698	366,185	387,791
Investment earnings	1,565	2,190	183	329	1,748	2,519
Miscellaneous	56,330	54,659	1,873	14,990	58,203	69,649
Transfers	(63,276)	97,400	63,276	(97,400)	-	-
Total revenues	\$ 790,557	\$ 891,548	\$ 864,758	\$ 734,355	\$ 1,655,315	\$ 1,625,903
Expenses						
General government	\$ 157,254	\$ 140,345	\$ -	\$ -	\$ 157,254	\$ 140,345
Public safety	273,183	254,340	-	-	273,183	254,340
Highways and streets	110,853	111,741	-	-	110,853	111,741
Culture and recreation	69,711	148,164	-	-	69,711	148,164
Conservation of natural resources	1,876	2,467	-	-	1,876	2,467
Economic development	23,791	3,757	-	-	23,791	3,757
Interest	-	511	-	-	-	511
Liquor	-	-	284,435	229,441	284,435	229,441
Sanitation	-	-	76,298	75,400	76,298	75,400
Sewer	-	-	204,170	209,415	204,170	209,415
Storm utility	-	-	13,703	13,910	13,703	13,910
Water	-	-	277,087	291,507	277,087	291,507
Total expenses	\$ 636,668	\$ 661,325	\$ 855,693	\$ 819,673	\$ 1,492,361	\$ 1,480,998
Increase (decrease) in net position	\$ 153,889	\$ 230,223	\$ 9,065	\$ (85,318)	\$ 162,954	\$ 144,905
Net position, January 1	1,626,964	1,396,741	4,490,866	4,576,184	6,117,830	5,972,925
Net position, December 31	\$ 1,780,853	\$ 1,626,964	\$ 4,499,931	\$ 4,490,866	\$ 6,280,784	\$ 6,117,830

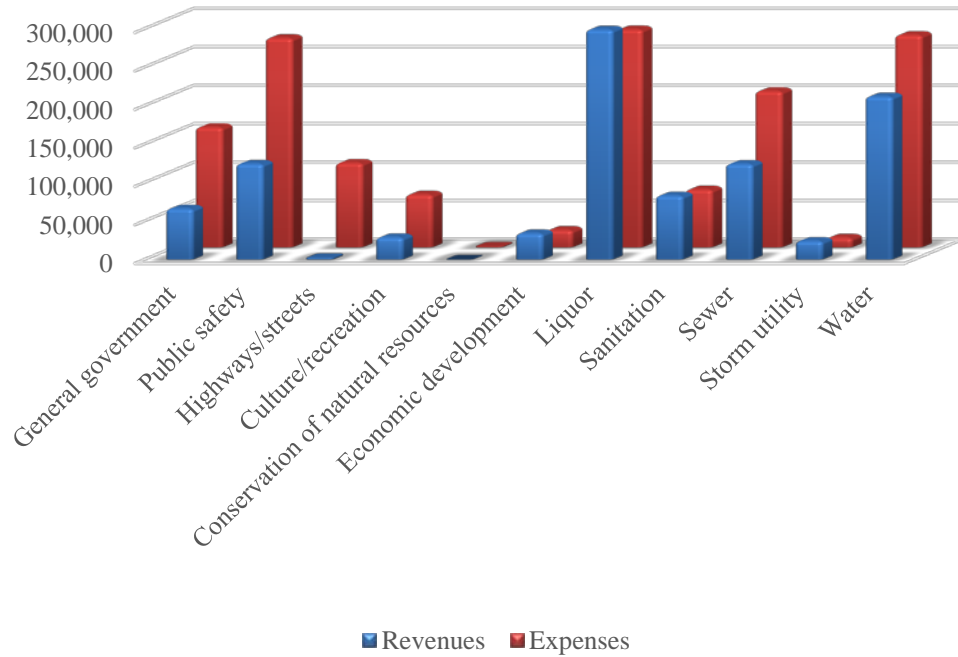
## Revenues by Source



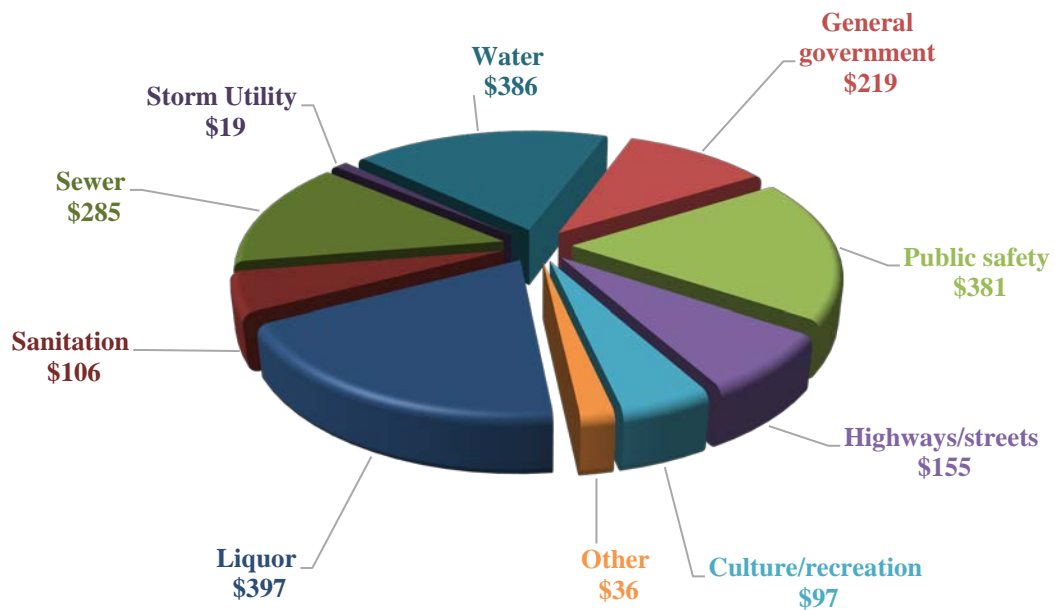
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 717 Population as of 2022



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

### **Governmental Funds**

At the end of 2022, the City's governmental funds reported combined ending fund balances of \$962,369. Of this amount, 11 percent constitutes legally or contractually restricted fund balance, 84 percent constitutes specifically assigned fund balance, and five percent constitutes the unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$755,823. The General Fund's restricted fund balance was \$612, the assigned fund balance was \$711,483, and the unassigned fund balance was \$43,728. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2022. Both unrestricted fund balance and total fund balance represent approximately 111 percent of total General Fund expenditures.

In 2022, the fund balance amount in the General Fund decreased by \$2,427, due to transfers out to the Long-Term Capital Projects and Water Enterprise Funds.

### **Proprietary Funds**

The Liquor Enterprise Fund reported an operating income in 2022 of \$14,628, indicating that it is charging for products and services at a normal margin for this type of business.

The Sanitation Enterprise Fund reported an operating income in 2022 of \$7,858, indicating that the fund is collecting fees at a rate consistent with costs.

The Sewer Enterprise Fund reported an operating loss in 2022 of \$59,735, indicating that it is not collecting fees for services at a rate above costs.

The Water Enterprise Fund reported an operating loss in 2022 of \$27,787, indicating that the fund is not collecting fees at a rate above costs.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budget as approved for 2022.

Actual revenues were more than overall budgeted revenues by \$87,091, with the largest variance in miscellaneous revenue. Actual expenditures were less than overall final budgeted expenditures by \$51,998, with the largest variance in culture and recreation.



## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounted to \$5,058,670 (net of accumulated depreciation). The total decrease in the City's investment in capital assets for the current fiscal year was approximately less than one percent. This decrease was primarily due to depreciation of capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 56,839	\$ 56,839	\$ 46,816	\$ 46,816	\$ 103,655	\$ 103,655
Infrastructure	167,149	119,780	4,120,046	4,194,349	4,287,195	4,314,129
Buildings and improvements	243,879	247,131	157,216	176,991	401,095	424,122
Land improvements	2,400	3,000	47,199	-	49,599	3,000
Machinery and equipment	209,813	212,047	7,313	9,640	217,126	221,687
Total capital assets	<u>\$ 680,080</u>	<u>\$ 638,797</u>	<u>\$ 4,378,590</u>	<u>\$ 4,427,796</u>	<u>\$ 5,058,670</u>	<u>\$ 5,066,593</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

### Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,240,172 which is backed by the full faith and credit of the government.

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Police Interceptor Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Case Loader Capital Lease	36,172	54,258	-	-	36,172	54,258
Minnesota PFA						
Drinking Water State Revolving Funds	-	-	272,000	280,839	272,000	280,839
G.O. Utility Revenue and Refunding						
Bonds, Series 2012A	-	-	46,000	109,000	46,000	109,000
G.O. Utility Revenue and Refunding						
Bonds, Series 2019B	-	-	1,886,000	1,954,000	1,886,000	1,954,000
	<u>\$ 36,172</u>	<u>\$ 54,258</u>	<u>\$ 2,204,000</u>	<u>\$ 2,343,839</u>	<u>\$ 2,240,172</u>	<u>\$ 2,398,097</u>

Minnesota Statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2022, overall debt of the City is below the three percent debt limit.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The recovery package provides funding in several areas such as state and local aid, education, rental assistance, transit, stimulus payments for individuals, and other provisions. The local funding portion is approximately \$130 billion, equally divided between cities and counties. The City of Twin Valley received \$41,254 in 2021 and another \$41,254 in 2022. These funds are required to be spent by December 31, 2024

## **OTHER INFORMATION**

- Specific unemployment statistics for the City of Twin Valley are not available. However, according to the Minnesota Department of Employment & Economic Development, the unemployment rate for Norman County was 4.1 percent as of December 31, 2022. This is higher than the statewide rate of 3.2 percent and the national average rate of 3.3 percent.
- Twin Valley's 2022 population per the League of Minnesota Cities was 717, a decrease of 6 since the 2021 census of 723.
- On December 12, 2022, the City of Twin Valley set its 2023 revenue and expenditure budgets.

## **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the City of Twin Valley for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Twin Valley Clerk/Treasurer, City Hall, P.O. Box 307, Twin Valley, Minnesota 56584.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 509,865	\$ 1,747,422	\$ 2,257,287
Investments	475,766	117,272	593,038
Taxes receivable			
Current	7,870	913	8,783
Prior	19,708	1,397	21,105
Special assessments receivable			
Current	-	16,770	16,770
Prior	210	15,350	15,560
Accounts receivable	3,006	45,837	48,843
Loans receivable	137,602	-	137,602
Inventories	-	45,424	45,424
Prepaid items	3,991	1,885	5,876
Special assessments receivable - noncurrent	-	597,420	597,420
Net pension asset	109,772	-	109,772
Capital assets			
Non-depreciable	56,839	46,816	103,655
Depreciable - net of accumulated depreciation	623,241	4,331,774	4,955,015
<b>Total Assets</b>	<b>\$ 1,947,870</b>	<b>\$ 6,968,280</b>	<b>\$ 8,916,150</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 564,137	\$ 66,396	\$ 630,533
<b><u>Liabilities</u></b>			
Accounts payable	\$ 9,020	\$ 18,239	\$ 27,259
Salaries payable	26,409	10,265	36,674
Due to other governments	-	5,672	5,672
Contracts payable	-	63,725	63,725
Customer deposits	2,700	-	2,700
Long-term liabilities			
Due within one year	28,930	130,840	159,770
Due in more than one year	40,838	2,092,032	2,132,870
Net pension liability	599,276	210,040	809,316
<b>Total Liabilities</b>	<b>\$ 707,173</b>	<b>\$ 2,530,813</b>	<b>\$ 3,237,986</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	\$ 23,981	\$ 3,932	\$ 27,913
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 643,908	\$ 2,174,590	\$ 2,818,498
Amounts restricted for			
Debt service	-	597,420	597,420
Culture and recreation	612	-	612
Economic development	107,234	-	107,234
Unrestricted amounts	1,029,099	1,727,921	2,757,020
<b>Total Net Position</b>	<b>\$ 1,780,853</b>	<b>\$ 4,499,931</b>	<b>\$ 6,280,784</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

		<b>Program Revenues</b>	
		<b>Fees, Charges, Fines and Other</b>	<b>Operating Grants and Contributions</b>
	<b>Expenses</b>		
<b><u>Functions/Programs</u></b>			
<b>Governmental activities</b>			
General government	\$ 157,254	\$ 66,105	\$ 1,173
Public safety	273,183	28,728	96,834
Highways and streets	110,853	-	-
Culture and recreation	69,711	10,038	17,411
Conservation of natural resources	1,876	-	-
Economic development	23,791	24,174	11,000
<b>Total governmental activities</b>	<b>\$ 636,668</b>	<b>\$ 129,045</b>	<b>\$ 126,418</b>
<b>Business-type activities</b>			
Liquor	\$ 284,435	\$ 301,217	\$ -
Sanitation	76,298	84,156	-
Sewer	204,170	125,270	-
Storm utility	13,703	25,226	-
Water	277,087	213,018	-
<b>Total business-type activities</b>	<b>\$ 855,693</b>	<b>\$ 748,887</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 1,492,361</b>	<b>\$ 877,932</b>	<b>\$ 126,418</b>

**General revenues and transfers**

Property taxes  
Grants and contributions not restricted to specific programs  
Investment earnings  
Miscellaneous  
Transfers

**Total general revenues and transfers**

**Change in net position**

**Net Position - January 1**

**Net Position - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (89,976)	\$ -	\$ (89,976)
-	(147,621)	-	(147,621)
3,109	(107,744)	-	(107,744)
2,525	(39,737)	-	(39,737)
-	(1,876)	-	(1,876)
-	11,383	-	11,383
<b>\$ 5,634</b>	<b>\$ (375,571)</b>	<b>\$ -</b>	<b>\$ (375,571)</b>
\$ -	\$ -	\$ 16,782	\$ 16,782
-	-	7,858	7,858
17,334	-	(61,566)	(61,566)
2,527	-	14,050	14,050
7,040	-	(57,029)	(57,029)
<b>\$ 26,901</b>	<b>\$ -</b>	<b>\$ (79,905)</b>	<b>\$ (79,905)</b>
<b>\$ 32,535</b>	<b>\$ (375,571)</b>	<b>\$ (79,905)</b>	<b>\$ (455,476)</b>
	\$ 192,294	\$ -	\$ 192,294
	342,547	23,638	366,185
	1,565	183	1,748
	56,330	1,873	58,203
	(63,276)	63,276	-
	<b>\$ 529,460</b>	<b>\$ 88,970</b>	<b>\$ 618,430</b>
	<b>\$ 153,889</b>	<b>\$ 9,065</b>	<b>\$ 162,954</b>
	<b>1,626,964</b>	<b>4,490,866</b>	<b>6,117,830</b>
	<b>\$ 1,780,853</b>	<b>\$ 4,499,931</b>	<b>\$ 6,280,784</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General Fund	Other Governmental Funds (Statement 1)	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 322,786	\$ 187,079	\$ 509,865
Investments	456,614	19,152	475,766
Taxes receivable			
Current	7,455	415	7,870
Prior	18,633	1,075	19,708
Special assessments receivable			
Prior	210	-	210
Accounts receivable	3,006	-	3,006
Loans receivable	-	137,602	137,602
Prepaid items	3,991	-	3,991
<b>Total Assets</b>	<b>\$ 812,695</b>	<b>\$ 345,323</b>	<b>\$ 1,158,018</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 8,920	\$ 100	\$ 9,020
Salaries payable	26,409	-	26,409
Customer deposits	2,700	-	2,700
<b>Total Liabilities</b>	<b>\$ 38,029</b>	<b>\$ 100</b>	<b>\$ 38,129</b>
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 18,633	\$ 1,075	\$ 19,708
Loans	-	137,602	137,602
Special assessments	210	-	210
<b>Total Deferred Inflows of Resources</b>	<b>\$ 18,843</b>	<b>\$ 138,677</b>	<b>\$ 157,520</b>
<b>Fund Balances</b>			
Restricted for			
Economic development	\$ -	\$ 107,234	\$ 107,234
Culture and recreation	612	-	612
Assigned to			
General government	278,435	-	278,435
Public safety	57,826	-	57,826
Highways and streets	339,004	-	339,004
Culture and recreation	36,218	-	36,218
Capital outlay	-	99,312	99,312
Unassigned	43,728	-	43,728
<b>Total Fund Balances</b>	<b>\$ 755,823</b>	<b>\$ 206,546</b>	<b>\$ 962,369</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 812,695</b>	<b>\$ 345,323</b>	<b>\$ 1,158,018</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2022**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 962,369</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	680,080
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	267,292
Deferred outflows of resources are not available resources and, therefore are not reported in the governmental funds:	
Deferred outflows of resources related to pensions	564,137
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Capital lease payable	\$ (36,172)
Compensated absences	(33,596)
Net pension liability	<u>(599,276)</u>
	(669,044)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Deferred inflows of resources related to pensions	<u>(23,981)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 1,780,853</u></b>



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 175,723	\$ 9,672	\$ 185,395
Special assessments	615	-	615
Licenses and permits	4,368	-	4,368
Intergovernmental	448,888	-	448,888
Charges for services	51,949	-	51,949
Gifts and contributions	13,950	11,000	24,950
Investment earnings	1,508	57	1,565
Miscellaneous	100,213	8,443	108,656
<b>Total Revenues</b>	<b>\$ 797,214</b>	<b>\$ 29,172</b>	<b>\$ 826,386</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 148,897	\$ -	\$ 148,897
Public safety	304,782	-	304,782
Highways and streets	92,960	-	92,960
Culture and recreation	53,987	-	53,987
Conservation of natural resources	1,876	-	1,876
Economic development	-	23,791	23,791
<b>Debt service</b>			
Principal retirement	18,086	-	18,086
<b>Capital outlay</b>			
Highways and streets	62,037	44,373	106,410
<b>Total Expenditures</b>	<b>\$ 682,625</b>	<b>\$ 68,164</b>	<b>\$ 750,789</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 114,589</b>	<b>\$ (38,992)</b>	<b>\$ 75,597</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 8,675	\$ 53,740	\$ 62,415
Transfers out	(125,691)	-	(125,691)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (117,016)</b>	<b>\$ 53,740</b>	<b>\$ (63,276)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,427)</b>	<b>\$ 14,748</b>	<b>\$ 12,321</b>
<b>Fund Balance - January 1</b>	<b>758,250</b>	<b>191,798</b>	<b>950,048</b>
<b>Fund Balance - December 31</b>	<b>\$ 755,823</b>	<b>\$ 206,546</b>	<b>\$ 962,369</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Net change in fund balances - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>12,321</b>
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in  
the Statement of Activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 106,410		
Current year depreciation	(65,127)		41,283

Revenues in the Statement of Activities that do not provide current  
financial resources are not reported as revenues in the governmental funds.

Change in			
Taxes receivable	\$ 6,899		
Special assessments receivable	146		
Loans receivable	15,731		22,776

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term  
debt consumes the resources of governmental funds. Neither transaction,  
however, has any effect on net position.

Principal repayment			18,086
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Some expenses reported in the Statement of Activities do not require the  
use of current financial resources and, therefore, are not reported as  
expenditures in governmental funds.

Change in			
Compensated absences payable	\$ (3,268)		
Net pension asset	(67,710)		
Net pension liability	(468,614)		
Deferred outflows of resources related to net pension liability	360,953		
Deferred inflows of resources related to net pension liability	238,062		59,423

<b>Change in net position of governmental activities (Exhibit 2)</b>	<b>\$</b>	<b>153,889</b>
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**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	<b>Liquor Enterprise</b>	<b>Sanitation Enterprise</b>	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Nonmajor Storm Utility Enterprise</b>	<b>Total</b>
<b><u>Assets</u></b>						
<b>Current Assets</b>						
Cash and pooled investments	\$ 178,877	\$ 141,216	\$ 508,690	\$ 753,612	\$ 165,027	\$ 1,747,422
Investments	74,919	-	37,191	5,162	-	117,272
Taxes receivable						
Current	-	-	548	137	228	913
Prior	-	-	489	908	-	1,397
Special assessments receivable						
Current	-	-	6,466	9,707	597	16,770
Prior	-	443	6,789	7,955	163	15,350
Accounts receivable	-	8,686	11,919	22,989	2,243	45,837
Inventories	45,424	-	-	-	-	45,424
Prepaid items	1,885	-	-	-	-	1,885
<b>Total Current Assets</b>	<b>\$ 301,105</b>	<b>\$ 150,345</b>	<b>\$ 572,092</b>	<b>\$ 800,470</b>	<b>\$ 168,258</b>	<b>\$ 1,992,270</b>
<b>Noncurrent Assets</b>						
Special assessments receivable	\$ -	\$ -	\$ 201,210	\$ 396,210	\$ -	\$ 597,420
Capital assets						
Non-depreciable	10,000	-	18,086	7,000	11,730	46,816
Depreciable - net of accumulated depreciation	135,294	-	1,263,661	2,484,113	448,706	4,331,774
<b>Total Noncurrent Assets</b>	<b>\$ 145,294</b>	<b>\$ -</b>	<b>\$ 1,482,957</b>	<b>\$ 2,887,323</b>	<b>\$ 460,436</b>	<b>\$ 4,976,010</b>
<b>Total Assets</b>	<b>\$ 446,399</b>	<b>\$ 150,345</b>	<b>\$ 2,055,049</b>	<b>\$ 3,687,793</b>	<b>\$ 628,694</b>	<b>\$ 6,968,280</b>
<b><u>Deferred Outflows of Resources</u></b>						
Related to pensions	\$ 33,198	\$ -	\$ 16,599	\$ 16,599	\$ -	\$ 66,396
<b><u>Liabilities</u></b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 9,051	\$ 5,923	\$ 831	\$ 2,434	\$ -	\$ 18,239
Salaries payable	8,273	-	996	996	-	10,265
Compensated absences payable	990	-	2,925	2,925	-	6,840
Contracts payable	-	-	-	63,725	-	63,725
Due to other governments	4,789	756	-	127	-	5,672
MN PFA Loans payable	-	-	-	9,000	-	9,000
2019 Utility Revenue Refunding Bonds payable	-	-	24,150	44,850	-	69,000
2012 Utility Revenue and Refunding Bonds payable	-	-	27,200	8,300	10,500	46,000
<b>Total Current Liabilities</b>	<b>\$ 23,103</b>	<b>\$ 6,679</b>	<b>\$ 56,102</b>	<b>\$ 132,357</b>	<b>\$ 10,500</b>	<b>\$ 228,741</b>
<b>Noncurrent Liabilities</b>						
Compensated absences payable	\$ 898	\$ -	\$ 5,567	\$ 5,567	\$ -	\$ 12,032
Net pension liability	105,020	-	52,510	52,510	-	210,040
MN PFA Loans payable	-	-	-	263,000	-	263,000
2019 Utility Revenue Refunding Bonds payable	-	-	635,950	1,181,050	-	1,817,000
<b>Total Noncurrent Liabilities</b>	<b>\$ 105,918</b>	<b>\$ -</b>	<b>\$ 694,027</b>	<b>\$ 1,502,127</b>	<b>\$ -</b>	<b>\$ 2,302,072</b>
<b>Total Liabilities</b>	<b>\$ 129,021</b>	<b>\$ 6,679</b>	<b>\$ 750,129</b>	<b>\$ 1,634,484</b>	<b>\$ 10,500</b>	<b>\$ 2,530,813</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	<u>Liquor Enterprise</u>	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Nonmajor Storm Utility Enterprise</u>	<u>Total</u>
<b><u>Deferred Inflows of Resources</u></b>						
Related to pensions	\$ 1,966	\$ -	\$ 983	\$ 983	\$ -	\$ 3,932
<b><u>Net Position</u></b>						
Net investment in capital assets	\$ 145,294	\$ -	\$ 594,447	\$ 984,913	\$ 449,936	\$ 2,174,590
Amounts restricted for debt service	-	-	201,210	396,210	-	597,420
Unrestricted amounts	<u>203,316</u>	<u>143,666</u>	<u>524,879</u>	<u>687,802</u>	<u>168,258</u>	<u>1,727,921</u>
<b>Total Net Position</b>	<b><u>\$ 348,610</u></b>	<b><u>\$ 143,666</u></b>	<b><u>\$ 1,320,536</u></b>	<b><u>\$ 2,068,925</u></b>	<b><u>\$ 618,194</u></b>	<b><u>\$ 4,499,931</u></b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Liquor Enterprise</b>	<b>Sanitation Enterprise</b>	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Nonmajor Storm Utility Enterprise</b>	<b>Total</b>
<b>Sales and Cost of Goods Sold</b>						
Sales	\$ 665,821	\$ -	\$ -	\$ -	\$ -	\$ 665,821
Cost of goods sold	(380,227)	-	-	-	-	(380,227)
<b>Gross Profit</b>	<b>\$ 285,594</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285,594</b>
<b>Operating Revenues</b>						
Charges for services	\$ -	\$ 84,156	\$ 125,270	\$ 213,018	\$ 25,226	\$ 447,670
Vending machine commission	7,629	-	-	-	-	7,629
Rental income	5,840	-	-	-	-	5,840
<b>Total Operating Revenues</b>	<b>\$ 13,469</b>	<b>\$ 84,156</b>	<b>\$ 125,270</b>	<b>\$ 213,018</b>	<b>\$ 25,226</b>	<b>\$ 461,139</b>
<b>Total Gross Profit and Operating Revenues</b>	<b>\$ 299,063</b>	<b>\$ 84,156</b>	<b>\$ 125,270</b>	<b>\$ 213,018</b>	<b>\$ 25,226</b>	<b>\$ 746,733</b>
<b>Operating Expenses</b>						
Personnel services	\$ 167,894	\$ -	\$ 77,461	\$ 77,433	\$ -	\$ 322,788
Professional services	20,881	-	1,100	8,203	-	30,184
Contracted services	-	73,462	6,656	-	-	80,118
Administration	3,114	-	-	-	-	3,114
Advertising	8,860	-	-	-	-	8,860
Fuel	-	-	-	3,546	-	3,546
Insurance	10,836	-	6,542	7,636	-	25,014
Operating supplies	11,057	-	1,407	4,600	-	17,064
Other service and charges	-	2,836	-	-	-	2,836
Repairs and maintenance	21,383	-	3,544	4,878	-	29,805
Utilities	18,603	-	6,280	18,806	-	43,689
Miscellaneous	3,489	-	1,042	4,206	105	8,842
Depreciation	18,318	-	80,973	111,497	13,067	223,855
<b>Total Operating Expenses</b>	<b>\$ 284,435</b>	<b>\$ 76,298</b>	<b>\$ 185,005</b>	<b>\$ 240,805</b>	<b>\$ 13,172</b>	<b>\$ 799,715</b>
<b>Operating Income (Loss)</b>	<b>\$ 14,628</b>	<b>\$ 7,858</b>	<b>\$ (59,735)</b>	<b>\$ (27,787)</b>	<b>\$ 12,054</b>	<b>\$ (52,982)</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 8  
(Continued)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Liquor Enterprise	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Nonmajor Storm Utility Enterprise	Total
<b>Nonoperating Revenues (Expenses)</b>						
Property taxes	\$ -	\$ -	\$ 13,410	\$ 4,464	\$ 5,764	\$ 23,638
Special assessments	-	308	17,026	7,040	2,527	26,901
Miscellaneous	2,154	-	854	1,019	-	4,027
Investment earnings	110	-	64	9	-	183
Interest expense	-	-	(19,165)	(36,282)	(531)	(55,978)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 2,264</b>	<b>\$ 308</b>	<b>\$ 12,189</b>	<b>\$ (23,750)</b>	<b>\$ 7,760</b>	<b>\$ (1,229)</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 16,892</b>	<b>\$ 8,166</b>	<b>\$ (47,546)</b>	<b>\$ (51,537)</b>	<b>\$ 19,814</b>	<b>\$ (54,211)</b>
Transfers in	\$ -	\$ -	\$ 2,082	\$ 71,951	\$ 1,718	\$ 75,751
Transfers out	(2,500)	-	(2,000)	(7,975)	-	(12,475)
<b>Total Transfers</b>	<b>\$ (2,500)</b>	<b>\$ -</b>	<b>\$ 82</b>	<b>\$ 63,976</b>	<b>\$ 1,718</b>	<b>\$ 63,276</b>
<b>Change in Net Position</b>	<b>\$ 14,392</b>	<b>\$ 8,166</b>	<b>\$ (47,464)</b>	<b>\$ 12,439</b>	<b>\$ 21,532</b>	<b>\$ 9,065</b>
<b>Net Position - January 1</b>	<b>334,218</b>	<b>135,500</b>	<b>1,368,000</b>	<b>2,056,486</b>	<b>596,662</b>	<b>4,490,866</b>
<b>Net Position - December 31</b>	<b>\$ 348,610</b>	<b>\$ 143,666</b>	<b>\$ 1,320,536</b>	<b>\$ 2,068,925</b>	<b>\$ 618,194</b>	<b>\$ 4,499,931</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Liquor Enterprise</b>	<b>Sanitation Enterprise</b>	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Nonmajor Storm Utility Enterprise</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 737,816	\$ 93,269	\$ 124,563	\$ 213,707	\$ 25,062	\$ 1,194,417
Payments to employees	(166,492)	-	(73,013)	(72,985)	-	(312,490)
Payments to suppliers	(532,682)	(86,210)	(28,202)	(53,298)	(105)	(700,497)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 38,642</b>	<b>\$ 7,059</b>	<b>\$ 23,348</b>	<b>\$ 87,424</b>	<b>\$ 24,957</b>	<b>\$ 181,430</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Miscellaneous receipts	\$ 1,696	\$ -	\$ 625	\$ 790	\$ -	\$ 3,111
Transfer in	-	-	2,082	71,951	1,718	75,751
Transfer out	(2,500)	-	(2,000)	(7,975)	-	(12,475)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ (804)</b>	<b>\$ -</b>	<b>\$ 707</b>	<b>\$ 64,766</b>	<b>\$ 1,718</b>	<b>\$ 66,387</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Property taxes received	\$ -	\$ -	\$ 13,246	\$ 5,204	\$ 5,282	\$ 23,732
Special assessments received	-	32	25,471	36,933	3,132	65,568
Acquisition and construction of capital assets	(47,199)	-	-	(63,725)	-	(110,924)
Principal paid on debt	-	-	(61,200)	(63,889)	(14,750)	(139,839)
Interest paid on debt	-	-	(19,165)	(36,282)	(531)	(55,978)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (47,199)</b>	<b>\$ 32</b>	<b>\$ (41,648)</b>	<b>\$ (121,759)</b>	<b>\$ (6,867)</b>	<b>\$ (217,441)</b>
<b>Cash Flows from Investing Activities</b>						
Investment earnings received	\$ 110	\$ -	\$ 64	\$ 9	\$ -	\$ 183
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (9,251)</b>	<b>\$ 7,091</b>	<b>\$ (17,529)</b>	<b>\$ 30,440</b>	<b>\$ 19,808</b>	<b>\$ 30,559</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>263,047</b>	<b>134,125</b>	<b>563,410</b>	<b>728,334</b>	<b>145,219</b>	<b>1,834,135</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 253,796</b>	<b>\$ 141,216</b>	<b>\$ 545,881</b>	<b>\$ 758,774</b>	<b>\$ 165,027</b>	<b>\$ 1,864,694</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ 14,628	\$ 7,858	\$ (59,735)	\$ (27,787)	\$ 12,054	\$ (52,982)

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Liquor Enterprise</u>	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Nonmajor Storm Utility Enterprise</u>	<u>Total</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>						
Depreciation expense	\$ 18,318	\$ -	\$ 80,973	\$ 111,497	\$ 13,067	\$ 223,855
(Increase) decrease in assets						
Accounts receivable	-	(667)	(707)	(704)	(164)	(2,242)
Inventories	3,640	-	-	-	-	3,640
Prepaid items	(626)	-	-	-	-	(626)
Increase (decrease) in liabilities						
Accounts payable	1,221	5	(1,631)	(44)	-	(449)
Salaries payable	5,908	-	175	175	-	6,258
Compensated absences payable	(10,464)	-	1,294	1,294	-	(7,876)
Due to other governments	59	(137)	-	14	-	(64)
Net pension liability	5,958	-	2,979	2,979	-	11,916
<b>Total adjustments</b>	<b>\$ 24,014</b>	<b>\$ (799)</b>	<b>\$ 83,083</b>	<b>\$ 115,211</b>	<b>\$ 12,903</b>	<b>\$ 234,412</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 38,642</b>	<b>\$ 7,059</b>	<b>\$ 23,348</b>	<b>\$ 87,424</b>	<b>\$ 24,957</b>	<b>\$ 181,430</b>



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

**I. Summary of Significant Accounting Policies**

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Financial Reporting Entity**

The City of Twin Valley was established in 1874, and has the powers, duties, and privileges granted by state law, codified in Minnesota Statutes, Chapter 412. The City operates under a Mayor-Council form of government and provides services such as general government, public safety, highways and streets, culture and recreation, conservation of natural resources, economic development, a municipal liquor dispensary, and sanitation, sewer, storm utility, and water utilities, as authorized by its charter.

The Twin Valley Fire Relief Association is organized to provide pension and other benefits to its members in accordance with Minnesota statutes. The Relief Association is a defined benefit plan and is required to be included in the financial statements of the City.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues and transfers.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes, grants, donations, subsidies, and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The City reports the following major enterprise funds:

The Liquor Enterprise Fund is used to account for operations of the municipal liquor dispensary. Financing is provided through the liquor store's sale of on and off-sale liquor.

The Sewer Enterprise Fund is used to account for operations of the sewer utility. Financing is provided by charges to residents for services.

The Water Enterprise Fund is used to account for operations of the water utility. Financing is provided by charges to residents for services.

The Sanitation Enterprise Fund is used to account for operations of the sanitation utility. Financing is provided by charges to residents for services.

The City also reports the following nonmajor enterprise fund:

The Storm Utility Enterprise Fund is used to account for operations of the storm drainage utility.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers tax and special assessment revenues to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits. Additionally, each fund's equity in the City's deposits is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents are valued at fair value.

2. Deposits and Investments

The cash balances of the funds are invested by the City Clerk/Treasurer for the purpose of increasing earnings through investment activities. City investments consist of certificates of deposit. Pooled and fund investments are reported at their fair value at December 31, 2022, based on market prices. Investment earnings on cash and pooled investments are allocated to the funds with deposits. Investment earnings on the pooled checking account for 2022 were \$668. Total investment earnings for 2022 were \$1,748.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**I. Summary of Significant Accounting Policies**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

**3. Receivables and Payables**

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed by Norman County in March with the first half payment due on May 15 and the second half due on October 15.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2010 through 2022 and noncurrent special assessments collectible in 2023 and beyond. Taxes and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

Accounts receivable consist primarily of charges for services for sanitation, sewer, storm utility, and water.

Loans receivable consist of rehabilitation and business loans. Loans receivable are offset by deferred inflows of resources for the balance outstanding as of year-end.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

**4. Inventories and Prepaid Items**

All inventories are valued at cost using the weighted average method. Inventories in the proprietary funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**5. Capital Assets**

Capital assets, which include land, construction in progress, infrastructure (e.g., sewers and water mains), buildings and improvements, land improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**I. Summary of Significant Accounting Policies**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**5. Capital Assets (Continued)**

Infrastructure, buildings and improvements, land improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15-50
Buildings and improvements	5-40
Land improvements	10-15
Machinery and equipment	5-25

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports delinquent property taxes, special assessments, and loans receivable as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

**7. Compensated Absences**

The liability for compensated absences reported in financial statements consists of the unpaid, accumulated annual vacation and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**8. Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. In the fund financial statements, governmental fund types recognize the face amount of the debt as other financing sources when issued.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**I. Summary of Significant Accounting Policies**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

**9. Pensions**

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

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and expense associated with the City's requirement to contribute to the Twin Valley Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Twin Valley Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension assets are recorded in the General Fund.

**10. Net Position and Fund Balance**

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment of capital assets.

In the fund financial statements, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. At December 31, 2022, the City reports no non-spendable fund balances.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Net Position and Fund Balance (Continued)

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the City Council shall pass a resolution. At December 31, 2022, the City reports no committed fund balances.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Clerk/Treasurer.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely, such as resources as a reserve for delinquent taxes; a reserve against economic uncertainties leading to overestimates in revenue forecasts; resources to provide for unpredictable changes in state law; and monies for unforeseen expenditures such as natural disasters, for which no other government resources are made available or there is a delay in receiving those funds from other government entities. As of December 31, 2022, the City had no amount set aside for stabilization.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

11. Use of Estimates

The preparation of 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, liabilities, and deferred inflows and disclosure of contingent amounts 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.

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## II. Detailed Notes on All Funds

### A. Assets

#### 1. Deposits and Investments

Reconciliations of the City's total deposits and investments to the basic financial statements, as of December 31, 2022, are as follows:

#### **Government-wide Statement of Net Position**

##### *Governmental Activities*

Cash and pooled investments	\$ 509,865
Investments	475,766

##### *Business-type Activities*

Cash and pooled investments	1,747,422
Investments	117,272

Total Cash and Investments	\$ 2,850,325
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Cash on hand	\$ 8,745
Checking	2,248,542
Savings	50,175
Certificates of deposit	542,863

Total Deposits and Cash on Hand	\$ 2,850,325
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### Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all City deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Generally, the City complies with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2022, there were no City deposits exposed to custodial credit risk.



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**II. Detailed Notes on All Funds**

**A. Assets (Continued)**

**2. Receivables**

Receivables as of December 31, 2022, for the City's governmental and business-type activities, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes	\$ 27,578	\$ -
Special assessments	210	-
Accounts receivable	3,006	-
Loans receivable	137,602	133,335
	<u>168,396</u>	<u>133,335</u>
Total Governmental Activities	<u>\$ 168,396</u>	<u>\$ 133,335</u>
<b>Business-Type Activities</b>		
Taxes	\$ 2,310	\$ -
Special assessments	629,540	597,420
Accounts receivable	45,837	-
	<u>677,687</u>	<u>597,420</u>
Total Business-Type Activities	<u>\$ 677,687</u>	<u>\$ 597,420</u>

**3. Capital Assets**

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2022, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 56,839	\$ -	\$ -	\$ 56,839
Capital assets being depreciated				
Infrastructure	\$ 211,264	\$ 54,201	\$ -	\$ 265,465
Buildings and improvements	532,364	7,836	-	540,200
Land improvements	15,600	-	-	15,600
Machinery and equipment	809,549	44,373	26,750	827,172
	<u>1,568,777</u>	<u>106,410</u>	<u>26,750</u>	<u>1,648,437</u>
Total capital assets being depreciated				
	<u>\$ 1,568,777</u>	<u>\$ 106,410</u>	<u>\$ 26,750</u>	<u>\$ 1,648,437</u>
Less: accumulated depreciation for				
Infrastructure	\$ 91,484	\$ 6,832	\$ -	\$ 98,316
Buildings and improvements	285,233	11,088	-	296,321
Land improvements	12,600	600	-	13,200
Machinery and equipment	597,502	46,607	26,750	617,359
	<u>986,819</u>	<u>65,127</u>	<u>26,750</u>	<u>1,025,196</u>
Total accumulated depreciation				
	<u>\$ 986,819</u>	<u>\$ 65,127</u>	<u>\$ 26,750</u>	<u>\$ 1,025,196</u>
Total capital assets, depreciated, net				
	<u>\$ 581,958</u>	<u>\$ 41,283</u>	<u>\$ -</u>	<u>\$ 623,241</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 638,797</u>	<u>\$ 41,283</u>	<u>\$ -</u>	<u>\$ 680,080</u>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**II. Detailed Notes on All Funds**

**A. Assets**

**3. Capital Assets (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 46,816	\$ -	\$ -	\$ 46,816
Capital assets being depreciated				
Infrastructure	\$ 7,648,898	\$ 127,450	\$ -	\$ 7,776,348
Buildings and improvements	572,018	-	-	572,018
Land improvements	11,082	47,199	-	58,281
Machinery and equipment	92,253	-	-	92,253
Total capital assets being depreciated	\$ 8,324,251	\$ 174,649	\$ -	\$ 8,498,900
Less: accumulated depreciation for				
Infrastructure	\$ 3,454,549	\$ 201,753	\$ -	\$ 3,656,302
Buildings and improvements	395,027	19,775	-	414,802
Land improvements	11,082	-	-	11,082
Machinery and equipment	82,613	2,327	-	84,940
Total accumulated depreciation	\$ 3,943,271	\$ 223,855	\$ -	\$ 4,167,126
Total capital assets, depreciated, net	\$ 4,380,980	\$ (49,206)	\$ -	\$ 4,331,774
Business-Type Activities				
Capital Assets, Net	\$ 4,427,796	\$ (49,206)	\$ -	\$ 4,378,590

**Depreciation Expense**

Depreciation expense was charged to functions of the City as follows:

<b>Governmental Activities</b>	
General government	\$ 1,164
Public safety	30,346
Highways and streets	17,893
Culture and recreation	15,724
Total Depreciation Expense - Governmental Activities	\$ 65,127
<b>Business-Type Activities</b>	
Liquor Store	\$ 18,318
Sewer	80,973
Storm Drainage	13,067
Water	111,497
Total Depreciation Expense - Business-Type Activities	\$ 223,855

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**II. Detailed Notes on All Funds**

**B. Interfund Transfers**

Interfund transfers for the year ended December 31, 2022, consisted of the following operating transfers:

Transfer to Long-Term Capital Projects Fund from General Fund	\$ 33,500	Operating transfer
	20,240	CD proceeds
	<u>\$ 53,740</u>	
Transfer to Water Fund from General Fund	\$ 63,725	Transfers for capital outlay
	8,226	Debt payments
	<u>\$ 71,951</u>	
Transfer to General Fund from Liquor Enterprise Fund	\$ 2,500	For loader lease payment
Transfer to General Fund from Sewer Enterprise Fund	\$ 500	Transfers for capital outlay
	1,500	For loader lease payment
Total transfer from Sewer Enterprise Fund:	<u>\$ 2,000</u>	
Water Enterprise Fund	\$ 2,675	Transfers for capital outlay
	1,500	For loader lease payment
	<u>\$ 4,175</u>	
Transfer to Sewer Fund from Water Fund	\$ 2,082	Debt payments
Transfer to Storm Fund from Water Fund	\$ 1,718	Debt payments
Total Interfund Transfers to General Fund:	<u>\$ 138,166</u>	

**C. Liabilities**

**1. Compensated Absences**

Under the City's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 5 to 25 days per year. Sick leave accrual is 12 days per year. Leave may be accumulated to a maximum of 25 days of vacation with 50 percent carryover to the following year, which must be used within the first six months of the following year, with no payout option of any remaining hours not used, and 120 days sick leave under the City's employment policy. Employees are eligible to vest one-third of unused sick leave upon termination in good standing.

Unvested sick leave, approximately \$59,825 at December 31, 2022, is available to employees in the event of illness-related absences and is not paid to them at termination. Compensated absences are generally liquidated from the General Fund and the Liquor, Sewer and Water Enterprise Funds.

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## II. Detailed Notes on All Funds

### C. Liabilities

#### 2. Long-Term Debt

##### Governmental Activities

City of Twin Valley capital lease issued on January 27, 2020 represents debt incurred for a lease with the option to purchase a Case Wheel Loader financed through Titan Machinery. This lease has an original issue amount of \$88,244, with a net book value of \$70,596. Interest of 4.95 percent was prepaid, and the remaining principal balance is due in annual installments from the General Fund of \$18,086 through February 1, 2024. The balance due on this capital lease at December 31, 2022 is \$36,172.

Year Ending December 31	Titan Machinery Case Wheel Loader	
	Principal	
2023	\$	18,086
2024		18,086
	\$	<u>36,172</u>

##### Business-Type Activities

City of Twin Valley General Obligation Utility Revenue and Refunding Bonds, Series 2012A represent debt incurred to pay off the General Obligation Refunding Bonds of 2003 and the General Obligation Storm Water Revenue Bond, Series 2007A. As a result of the refunding, the City reduced its total debt service payments by \$73,067 and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$65,390. These bonds have an original issue amount of \$599,000, carry an interest rate of 2.1 percent, and are due in semiannual installments which are paid from the Sewer Fund, Water Fund, and Storm Utility Fund resulting in a total annual payment of between \$46,000 to \$63,000 through December 1, 2023. The balance due on these bonds at December 31, 2022, is \$46,000.

City of Twin Valley Public Facilities Authority (PFA) Drinking Water State Revolving Fund Loan represents debt incurred to finance improvements to the water treatment plant. The loan has an original issue amount of \$80,338, with an addition of \$210,571 in 2020, for a total issue amount of \$290,909. This loan carries a net interest rate of 1.0 percent and is due in annual installments of between \$8,839 to \$11,000 from the Water Enterprise Fund through August 20, 2049. The balance due at December 31, 2021 is \$272,000.

The City of Twin Valley General Obligation Utility Refunding Bonds, Series 2019B, represent debt incurred to refund the General Obligation Utility Revenue Refunding Bonds, Series 2013A. As a result of the refunding, the City reduced total debt services payments by \$665,146 and obtained an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$143,545. These bonds have an original issue amount of \$2,013,000, carry an interest

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**II. Detailed Notes on All Funds**

**C. Liabilities**

**2. Long-Term Debt**

**Business-Type Activities (Continued)**

rate of 2.7249 percent, and are due in semiannual installments paid from the Sewer Fund and Water Fund resulting in a total annual payment of between \$68,000 and \$114,000 through February 1, 2043. The balance due on these bonds at December 31, 2022 is \$1,886,000.

Debt service requirements for business-type activities at December 31, 2022, are as follows:

Year Ending December 31	General Obligation Utility Revenue and Refunding Bonds, Series 2012A		\$290,909 Drinking Water State Revolving Fund (PFA)		General Obligation Utility Refunding Bonds Series 2019B	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 46,000	\$ 958	\$ 9,000	\$ 2,720	\$ 69,000	\$ 49,065
2024	-	-	9,000	2,630	70,000	47,223
2025	-	-	9,000	2,540	74,000	45,315
2026	-	-	9,000	2,450	74,000	43,354
2027	-	-	9,000	2,360	76,000	41,367
2028-2032	-	-	48,000	10,420	411,000	175,047
2033-2037	-	-	50,000	7,950	468,000	116,917
2038-2042	-	-	52,000	5,440	530,000	50,906
2043-2047	-	-	55,000	2,750	114,000	1,510
2048-2049	-	-	22,000	330	-	-
Total	<u>\$ 46,000</u>	<u>\$ 958</u>	<u>\$ 272,000</u>	<u>\$ 39,590</u>	<u>\$ 1,886,000</u>	<u>\$ 570,704</u>

**3. Long-Term Liability**

**Governmental Activities**

Long-term liability activity for the governmental activities for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Case Wheel Loader Lease	54,258	-	18,086	36,172	18,086
Compensated Absences	30,328	25,372	22,104	33,596	10,844
Net Pension Liability	130,662	468,614	-	599,276	-
Governmental Activities Long-Term Liabilities	<u>\$ 215,248</u>	<u>\$ 493,986</u>	<u>\$ 40,190</u>	<u>\$ 669,044</u>	<u>\$ 28,930</u>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Liability (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Utility Revenue and Refunding Bonds, Series 2012A	\$ 109,000	\$ -	\$ 63,000	\$ 46,000	\$ 46,000
G.O. Utility Revenue Refunding Bonds, Series 2019B	1,954,000	-	68,000	1,886,000	69,000
\$299,070 Drinking Water State Revolving Funds (PFA) 2019	280,839	-	8,839	272,000	9,000
Compensated Absences	26,748	20,222	28,098	18,872	6,480
Net Pension Liability	110,348	99,691	-	210,039	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,480,935</u>	<u>\$ 119,913</u>	<u>\$ 167,937</u>	<u>\$ 2,432,911</u>	<u>\$ 130,480</u>

4. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and loans receivable, not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2022, are summarized below by fund:

Governmental Funds	Taxes	Special Assessments	Loans Receivable	Total
General	\$ 18,633	\$ 210	\$ -	\$ 18,843
Long Term Capital Projects	1,075	-	-	1,075
Loan Pool/EDA Special Revenue	-	-	115,783	115,783
Small Cities Development Special Revenue	-	-	21,819	21,819
Total	<u>\$ 19,708</u>	<u>\$ 210</u>	<u>\$ 137,602</u>	<u>\$ 157,520</u>

## **CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA**

### **III. Defined Benefit Pension Plan**

#### **A. Plan Description**

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

#### **General Employees Retirement Plan**

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

#### **Public Employees Police and Fire Plan**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

#### **Statewide Volunteer Firefighter Retirement Plan (SVF)**

The Twin Valley Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2022, the plan covered 25 active firefighters and 9 vested terminated firefighters whose pension benefits are deferred. [As listed on the Accrued Liability Report] The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G.

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Pension Plans

Defined Benefit Pension Plans (Continued)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Pension Plans

Defined Benefit Pension Plans

B. Benefits Provided

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Statewide Volunteer Firefighter (SVF) Plan Benefits

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Twin Valley. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City of Twin Valley was required to contribute 7.50 percent for Coordinated Plan members. The City of Twin Valley's contributions to the General Employees Fund for the year ended December 31, 2022, were \$24,363. The City of Twin Valley's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan member's members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City of Twin Valley was required to contribute 17.70 percent for Police and Fire Plan members. The City of Twin Valley's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$27,056. The City of Twin Valley's contributions were equal to the required contributions as set by state statute.

3. Statewide Volunteer Firefighter (SVF) Plan Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Twin Valley contributions. The State of Minnesota contributed \$13,083 in fire state aid to the fund for the year ended December 31, 2022. Required employer contributions are calculated annually based on

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Pension Plans

Defined Benefit Pension Plans

C. Contributions

4. Statewide Volunteer Firefighter (SVF) Plan Contributions (Continued)

5.

statutory provisions. There was no City statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2022.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the City of Twin Valley reported a liability of \$308,881 for its proportionate share of the General Employees Fund's net pension liability. The City of Twin Valley'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 City of Twin Valley totaled \$9,023.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Twin Valley's proportionate share of the net pension liability was based on the City of Twin Valley's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0039 percent at the end of the measurement period and .0038 percent for the beginning of the period.

City of Twin Valley's	
proportionate share of the net pension liability	\$ 308,881
State of Minnesota's proportionate share of	
the net pension liability associated with	
the City of Twin Valley	<u>9,023</u>
Total	<u>\$ 317,904</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2022, the City of Twin Valley recognized pension expense of \$48,904 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Twin Valley recognized an additional \$1,348 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.

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## III. Pension Plans

### Defined Benefit Pension Plans

#### D. Pension Costs

##### 1. General Employees Fund Pension Costs (Continued)

At December 31, 2022, the City of Twin Valley reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 2,580	\$ 3,206
Changes in actuarial assumption	68,167	1,192
Difference between projected and actual investment earnings	7,793	-
Changes in proportion	6,201	1,383
Contributions paid to PERA subsequent to the measurement date	12,900	-
Total	<u>\$ 97,641</u>	<u>\$ 5,781</u>

The \$12,900 reported as deferred outflows of resources related to pensions resulting from the City of Twin Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ 28,140
2024	\$ 30,655
2025	\$ (7,768)
2026	\$ 27,933
2027	\$ -

##### 2. Police and Fire Fund Pension Costs

At December 31, 2022, the City of Twin Valley reported a liability of \$500,435 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Twin Valley's proportionate share of the net pension liability was based on the City of Twin Valley's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0115 percent at the end of the measurement period and .0102 percent for the beginning of the period.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**III. Pension Plans**

**Defined Benefit Pension Plans**

**D. Pension Costs**

**2. Police and Fire Fund Pension Costs (Continued)**

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the City of Twin Valley recognized pension expense of \$99,156 for its proportionate share of the Police and Fire Plan's pension expense. The City of Twin Valley recognized \$21,857 as grant revenue for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City of Twin Valley recognized \$4,240 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Twin Valley's proportionate share of the net pension liability	\$ 500,435
State of Minnesota's proportionate share of the net pension liability associated with the City of Twin Valley	<u>21,857</u>
Total	<u>\$ 522,292</u>

There were no provision changes during the measurement period.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**III. Pension Plans**

**Defined Benefit Pension Plans**

**D. Pension Costs**

**2. Police and Fire Fund Pension Costs (Continued)**

At December 31, 2022, the City of Twin Valley reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 28,716	\$ -
Changes in actuarial assumptions	282,784	1,896
Difference between projected and actual investment earnings	143,353	-
Changes in proportion	9,428	2,665
Contributions paid to PERA subsequent to the measurement date	14,019	-
Total	<u>\$ 478,300</u>	<u>\$ 4,561</u>

The \$14,019 reported as deferred outflows of resources related to pensions resulting from the City of Twin Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2023	\$ 107,190
2024	\$ 106,829
2025	\$ 100,793
2026	\$ 101,596
2027	\$ 43,312

**3. Statewide Volunteer Firefighter (SVF) Plan Pension Costs**

At December 31, 2022, the City of Twin Valley reported a net pension asset of \$109,772 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**III. Defined Benefit Pension Plans**

**D. Pension Costs**

**3. Statewide Volunteer Firefighter (SVF) Plan Pension Costs (Continued)**

	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a-b)
Beginning Balance 12/31/2021	\$ 220,695	\$ 398,177	\$ (177,482)
Changes for the Year:			
Service Cost	13,516	-	13,516
Investment Earnings	14,053	-	14,053
Actuarial Experience (Gains)/Losses	(6,712)	-	(6,712)
Projected Investment Earnings	-	23,890	(23,890)
State Contributions	-	14,083	(14,083)
Asset (Gain)/Loss	-	(83,751)	83,751
Administrative Costs	-	(1,075)	1,075
Net Changes	\$ 20,857	\$ (46,853)	\$ 67,710
Balance End of Year 12/31/2022	\$ 241,552	\$ 351,324	\$ (109,772)

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2022, the City of Twin Valley recognized pension expense of \$20,161.

At December 31, 2022, the City of Twin Valley deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,646	\$ 17,571
Difference between projected and actual investment earnings	41,946	-
Total	\$ 54,592	\$ 17,571

\$0 reported as deferred outflows of resources related to pensions resulting from the City of Twin Valley contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year-ended December 31:	Pension Expense Amount:
2023	\$ (3,315)
2024	\$ 13,275
2025	\$ 11,654
2026	\$ 15,407
2027	\$ -

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Defined Benefit Pension Plans

D. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City of Twin Valley for the year ended December 31, 2022 was \$173,809.

E. Long-Term Expected Return on Investment

General Employees Fund - Police and Fire Fund

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:

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

Statewide Volunteer Firefighter Plan

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Cash	5%	0.00%

The six percent long-term expected rate of return on pension plans investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations for a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Defined Benefit Pension Plans

E. Long-Term Expected Return on Investment

Statewide Volunteer Firefighter Plan (Continued)

real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate or return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2022 for the Volunteer Firefighter Fund.

F. Actuarial Methods and Assumptions

General Employees Fund – Police and Fire Fund

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary.

An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Pension Plans

Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

Statewide Volunteer Firefighter (SVF) Plan

The total pension liability at December 31, 2022, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later age of 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

The following changes in actuarial assumptions and plan provisions occurred in 2022:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

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

**Statewide Volunteer Firefighter (SVF) Plan**

Changes in Actuarial Assumptions and Plan Provisions:

- No actuarial assumptions or plan provisions were made during the measurement period.

G. Discount Rate

General Employees Fund – Police and Fire Fund

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**III. Pension Plans**

**G. Discount Rate**

General Employees Fund – Police and Fire Fund (Continued)

term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of assets depletion and 3.69 percent thereafter.

Statewide Volunteer Firefighter (SVF) Plan

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

The following presents the City of Twin Valley'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 City of Twin Valley 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:

<b><u>Sensitivity Analysis</u></b>							
<u>Net Pension Liability (Asset) at Different Discount Rates</u>							
	<b><u>General Employees Fund</u></b>			<b><u>Police and Fire Fund</u></b>		<b><u>Volunteer Firefighter Fund</u></b>	
1% Lower	5.50%	\$	487,894	4.40%	\$	757,344	5.00% \$ (100,765)
Current Discount Rate	6.50%	\$	308,881	5.40%	\$	500,435	6.00% (109,772)
1% Higher	7.50%	\$	162,063	6.40%	\$	292,739	7.00% (118,617)

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

III. Pension Plans

Defined Benefit Pension Plans (Continued)

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

IV. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

The City, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The City Council estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; employee health coverage; or natural disasters. The City has entered into a joint powers agreement with other Minnesota cities to form the League of Minnesota Cities Insurance Trust (LMCIT) to cover workers' compensation and property and casualty liabilities.

There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

C. Conduit Debt

The City has issued \$550,000 Assisted Living Facility Revenue Bonds to provide for the construction of the Lutheran Memorial Home Project. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of rental to be received from a lease agreement between the City and Lutheran Memorial Homes. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements. These bonds were paid off in 2022 and have a zero balance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 191,875	\$ 191,875	\$ 175,723	\$ (16,152)
Special assessments	\$ 500	\$ 500	\$ 615	\$ 115
Licenses and permits	\$ 2,735	\$ 2,735	\$ 4,368	\$ 1,633
<b>Intergovernmental</b>				
Shared Revenues				
Fire State Aid	\$ -	\$ -	\$ 13,083	\$ 13,083
Firefighters Relief (Supplemental Benefits)	-	-	1,000	1,000
PERA Rate Reimbursement	912	912	-	(912)
Police Aid	21,000	21,000	20,033	(967)
Local Government Aid	342,168	342,168	342,168	-
Market Value Credit	180	180	379	199
<b>State Grants</b>				
Minnesota Department/Board of				
Natural Resources	31,657	31,657	17,411	(14,246)
Public Safety	6,000	6,000	6,995	995
Trial Courts	2,000	2,000	1,173	(827)
Transportation	2,000	2,000	2,348	348
Peace Officer Standards and Training	-	-	3,044	3,044
<b>Federal Grants</b>				
Department of				
The Treasury	-	-	41,254	41,254
<b>Total Intergovernmental</b>	<b>\$ 405,917</b>	<b>\$ 405,917</b>	<b>\$ 448,888</b>	<b>\$ 42,971</b>
<b>Charges for services</b>				
General government	\$ 17,228	\$ 17,228	\$ 17,573	\$ 345
Public safety	36,763	36,763	24,488	(12,275)
Culture and recreation	7,600	7,600	9,888	2,288
<b>Total Charges for Services</b>	<b>\$ 61,591</b>	<b>\$ 61,591</b>	<b>\$ 51,949</b>	<b>\$ (9,642)</b>
<b>Gifts and contributions</b>				
Public safety	\$ 2,000	\$ 2,000	\$ 11,425	\$ 9,425
Culture and recreation	400	400	2,525	2,125
<b>Total Gifts and Contributions</b>	<b>\$ 2,400</b>	<b>\$ 2,400</b>	<b>\$ 13,950</b>	<b>\$ 11,550</b>
<b>Investment earnings</b>	<b>\$ 450</b>	<b>\$ 450</b>	<b>\$ 1,508</b>	<b>\$ 1,058</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues (continued)</b>				
<b>Miscellaneous</b>				
General government	\$ 8,955	\$ 8,955	\$ 43,733	\$ 34,778
Culture and recreation	-	-	150	150
Rental income	35,700	35,700	56,330	20,630
<b>Total Miscellaneous</b>	<b>\$ 44,655</b>	<b>\$ 44,655</b>	<b>\$ 100,213</b>	<b>\$ 55,558</b>
<b>Total Revenues</b>	<b>\$ 710,123</b>	<b>\$ 710,123</b>	<b>\$ 797,214</b>	<b>\$ 87,091</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 11,902	\$ 11,902	\$ 11,906	\$ (4)
Finance/office staff	42,278	42,278	42,660	(382)
General administration	60,028	60,028	55,909	4,119
Assessor	3,200	3,200	3,178	22
Elections	2,500	2,500	4,129	(1,629)
Professional services	3,600	3,600	3,600	-
Legal	8,000	8,000	6,720	1,280
Airport	1,350	1,350	2,687	(1,337)
Buildings and grounds	20,375	20,375	16,433	3,942
Other general government	1,950	1,950	1,675	275
<b>Total general government</b>	<b>\$ 155,183</b>	<b>\$ 155,183</b>	<b>\$ 148,897</b>	<b>\$ 6,286</b>
<b>Public safety</b>				
Police	\$ 210,895	\$ 210,895	\$ 234,426	\$ (23,531)
Fire	60,525	60,525	49,923	10,602
Fire relief association	-	-	14,083	(14,083)
Rescue services	17,695	17,695	6,244	11,451
Other public safety	300	300	106	194
<b>Total public safety</b>	<b>\$ 289,415</b>	<b>\$ 289,415</b>	<b>\$ 304,782</b>	<b>\$ (15,367)</b>
<b>Highways and streets</b>				
Streets and alleys	\$ 72,770	\$ 72,770	\$ 69,606	\$ 3,164
Snow and ice removal	7,000	7,000	6,675	325
Street lighting	20,100	20,100	16,679	3,421
<b>Total highways and streets</b>	<b>\$ 99,870</b>	<b>\$ 99,870</b>	<b>\$ 92,960</b>	<b>\$ 6,910</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget Positive (Negative)</b>
<b>Expenditures</b>				
<b>Current (continued)</b>				
<b>Culture and recreation</b>				
Community Center	\$ 13,525	\$ 13,525	\$ 11,911	\$ 1,614
Parks	47,773	47,773	9,950	37,823
Snowmobile and ski trails	31,657	31,657	17,411	14,246
Wimmer Cabins	12,300	12,300	14,615	(2,315)
Other culture and recreation	-	-	100	(100)
<b>Total culture and recreation</b>	<b>\$ 105,255</b>	<b>\$ 105,255</b>	<b>\$ 53,987</b>	<b>\$ 51,268</b>
<b>Conservation of natural resources</b>				
Weed and pest control	\$ 3,400	\$ 3,400	\$ 1,876	\$ 1,524
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 18,086	\$ (18,086)
<b>Capital outlay</b>				
Highways and streets	\$ 66,500	\$ 66,500	\$ 62,037	\$ 4,463
Culture and recreation	15,000	15,000	-	15,000
<b>Total capital outlay</b>	<b>\$ 81,500</b>	<b>\$ 81,500</b>	<b>\$ 62,037</b>	<b>\$ 19,463</b>
<b>Total Expenditures</b>	<b>\$ 734,623</b>	<b>\$ 734,623</b>	<b>\$ 682,625</b>	<b>\$ 51,998</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (24,500)</b>	<b>\$ (24,500)</b>	<b>\$ 114,589</b>	<b>\$ 139,089</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 25,000	\$ 25,000	\$ 8,675	\$ (16,325)
Transfers out	-	-	(125,691)	(125,691)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ (117,016)</b>	<b>\$ (142,016)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ (2,427)</b>	<b>\$ (2,927)</b>
<b>Fund Balance - January 1</b>	<b>758,250</b>	<b>758,250</b>	<b>758,250</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 758,750</b>	<b>\$ 758,750</b>	<b>\$ 755,823</b>	<b>\$ (2,927)</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 2**

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 24,363	\$ 24,363	\$ -	\$ 324,840	7.5%
December 31, 2021	\$ 20,620	\$ 20,620	\$ -	\$ 274,933	7.5%
December 31, 2020	\$ 20,386	\$ 20,386	\$ -	\$ 271,814	7.5%
December 31, 2019	\$ 20,549	\$ 20,549	\$ -	\$ 273,987	7.5%
December 31, 2018	\$ 19,450	\$ 19,450	\$ -	\$ 259,309	7.5%
December 31, 2017	\$ 20,096	\$ 20,096	\$ -	\$ 267,947	7.5%
December 31, 2016	\$ 20,169	\$ 20,169	\$ -	\$ 268,920	7.5%
December 31, 2015	\$ 21,198	\$ 21,198	\$ -	\$ 282,649	7.5%

**PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 27,056	\$ 27,056	\$ -	\$ 152,859	17.7%
December 31, 2021	\$ 22,750	\$ 22,750	\$ -	\$ 128,531	17.7%
December 31, 2020	\$ 20,845	\$ 20,845	\$ -	\$ 117,768	17.7%
December 31, 2019	\$ 18,399	\$ 18,399	\$ -	\$ 113,574	16.2%
December 31, 2018	\$ 16,752	\$ 16,752	\$ -	\$ 103,406	16.2%
December 31, 2017	\$ 17,360	\$ 17,360	\$ -	\$ 107,160	16.2%
December 31, 2016	\$ 17,068	\$ 17,068	\$ -	\$ 105,358	16.2%
December 31, 2015	\$ 16,597	\$ 16,597	\$ -	\$ 102,451	16.2%

**FIRE RELIEF ASSOCIATION PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
December 31, 2022	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2021	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2020	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2019	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2018	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2015	\$ -	\$ -	\$ -	N/A	N/A

*Note: These schedules are intended to present 10 years and will be completed as available.*



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 3**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2022	0.0039%	\$ 308,881	\$ 9,023	\$ 317,904	\$ 287,506	107.43%	76.67%
June 30, 2021	0.0038%	\$ 162,777	\$ 4,935	\$ 167,712	\$ 277,776	58.60%	87.00%
June 30, 2020	0.0037%	\$ 221,832	\$ 6,815	\$ 228,647	\$ 248,364	89.32%	79.06%
June 30, 2019	0.0038%	\$ 210,093	\$ 6,500	\$ 216,593	\$ 277,340	88.07%	80.23%
June 30, 2018	0.0039%	\$ 216,356	\$ 1,643	\$ 217,999	\$ 262,393	88.07%	79.53%
June 30, 2017	0.0042%	\$ 268,125	\$ 99	\$ 268,224	\$ 288,218	93.03%	75.90%
June 30, 2016	0.0043%	\$ 349,139	\$ 1,342	\$ 350,481	\$ 269,882	129.37%	68.90%
June 30, 2015	0.0046%	\$ 238,396	\$ -	\$ 238,396	\$ 279,866	85.18%	78.20%

**PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2022	0.0115%	\$ 500,435	\$ 21,857	\$ 522,292	\$ 146,794	340.91%	70.53%
June 30, 2021	0.0102%	\$ 78,733	\$ 3,520	\$ 82,253	\$ 125,124	62.92%	93.66%
June 30, 2020	0.0098%	\$ 129,174	\$ 3,034	\$ 132,208	\$ 110,482	116.92%	89.17%
June 30, 2019	0.0103%	\$ 109,654	\$ 1,390	\$ 111,044	\$ 111,497	98.35%	89.26%
June 30, 2018	0.0100%	\$ 106,590	\$ 900	\$ 107,490	\$ 104,682	101.82%	88.80%
June 30, 2017	0.0100%	\$ 135,012	\$ 900	\$ 135,912	\$ 109,122	123.73%	85.40%
June 30, 2016	0.0110%	\$ 441,449	\$ 990	\$ 442,439	\$ 109,467	403.27%	63.90%
June 30, 2015	0.0110%	\$ 124,986	\$ 900	\$ 125,886	\$ 99,523	125.59%	86.60%

**FIRE RELIEF ASSOCIATION PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2022	100%	\$ (109,772)	\$ -	\$ (109,772)	N/A	N/A	145.40%
June 30, 2021	100%	\$ (177,482)	\$ -	\$ (177,482)	N/A	N/A	180.40%
June 30, 2020	100%	\$ (150,106)	\$ -	\$ (150,106)	N/A	N/A	162.90%
June 30, 2019	100%	\$ (149,160)	\$ -	\$ (149,160)	N/A	N/A	169.40%
June 30, 2018	100%	\$ (61,460)	\$ -	\$ (61,460)	N/A	N/A	123.20%
June 30, 2017	100%	\$ (125,752)	\$ -	\$ (125,752)	N/A	N/A	158.50%
June 30, 2016	100%	\$ (93,547)	\$ -	\$ (93,547)	N/A	N/A	147.40%
June 30, 2015	100%	\$ (91,008)	\$ -	\$ (91,008)	N/A	N/A	154.70%

*Note: These schedules are intended to present 10 years and will be completed as available.*

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 4**

**STATEWIDE VOLUNTEER FIREFIGHTER RETIREMENT PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
<b>Changes for the Year</b>			
Service cost	\$ 13,516	\$ -	\$ 13,516
Investment earnings	14,053	-	14,053
Actuarial experience (gains)/losses	(6,712)	-	(6,712)
Projected investment earnings	-	23,890	(23,890)
Contributions (state)	-	14,083	(14,083)
Asset (gain)/loss	-	(83,751)	83,751
Administrative costs	-	(1,075)	1,075
<b>Net Change</b>	<b>\$ 20,857</b>	<b>\$ (46,853)</b>	<b>\$ 67,710</b>
<b>Balance - January 1</b>	<b>220,695</b>	<b>398,177</b>	<b>(177,482)</b>
<b>Balance - December 31</b>	<b>\$ 241,552</b>	<b>\$ 351,324</b>	<b>\$ (109,772)</b>
<b>Plan Fiduciary Net Position</b>			
Fire state aid		\$ 10,886	
Fire supplemental aid		2,197	
Supplemental benefit reimbursement		1,000	
Net investment earnings		(59,860)	
Administrative expenses		(1,051)	
Investment fee		(25)	
<b>Net Change in Fiduciary Net Position</b>		<b>\$ (46,853)</b>	
<b>Fiduciary Net Position - January 1</b>		<b>398,177</b>	
<b>Fiduciary Net Position - December 31</b>		<b>\$ 351,324</b>	
<b>Association's Net Pension Liability (Asset) - December 31</b>		<b>\$ (109,772)</b>	
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>		<b>145.4%</b>	

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

**I. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

In September of each year, the City Council drafts a preliminary budget after giving interested citizens a reasonable opportunity to be heard. The final budget is approved in December and a certified levy is sent to Norman County. Truth in taxation requires that a final levy may not exceed a preliminary levy.

The appropriate budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

**II. Excess of Expenditures Over Budget**

The following departments had expenditures in excess of budget for the year ended December 31, 2021:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>General Fund</b>			
<i>General government</i>			
Mayor/council	\$ 11,906	\$ 11,902	\$ (4)
Elections	4,129	2,500	(1,629)
Finance/office staff	42,660	42,278	(382)
Airport	2,687	1,350	(1,337)
<i>Public safety</i>			
Police	234,426	210,895	(23,531)
Fire relief association	14,083	-	(14,083)
<i>Culture and recreation</i>			
Wimmer Cabins	14,615	12,300	(2,315)
Other culture and recreation	100	-	(100)
<i>Debt service</i>			
Principal retirement	18,086	-	(18,086)

### III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

The information presented in the required supplementary schedules was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the City Council. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

#### **General Employees Fund**

##### 2022 Changes

###### *Changes in Actuarial Assumptions*

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

###### *Changes in Plan Provisions*

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

##### 2021 Changes

###### *Changes in Actuarial Assumptions*

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

###### *Changes in Plan Provisions*

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

##### 2020 Changes

###### *Changes in Actuarial Assumptions*

- The price inflation assumption 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 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.

### III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

#### **General Employees Fund**

##### 2020 Changes

###### *Changes in Plan Provisions (Continued)*

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

##### 2019 Changes

###### *Changes in Actuarial Assumptions*

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

###### *Changes in Plan Provisions*

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

##### 2018 Changes

###### *Changes in Actuarial Assumptions*

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

###### *Changes in Plan Provisions*

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

###### *Changes in Plan Provisions*

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

##### 2017 Changes

###### *Changes in Actuarial Assumptions*

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

### III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

#### **General Employees Fund**

##### 2017 Changes

###### *Changes in Actuarial Assumptions (Continued)*

- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

###### *Changes in Plan Provisions*

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

##### 2016 Changes

###### *Changes in Actuarial Assumptions*

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

###### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

##### 2015 Changes

###### *Changes in Actuarial Assumptions*

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

##### 2015 Changes

###### *Changes in Plan Provisions*

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

### III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

#### **Police and Fire Fund**

##### 2022 Changes

###### *Changes in Actuarial Assumptions*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The Single discount rate changed from 6.50 percent to 5.40 percent.

###### *Changes in Plan Provisions*

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

##### 2021 Changes

###### *Changes in Actuarial Assumptions*

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.0 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disable annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 1, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

###### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

##### 2020 Changes

###### *Changes in Actuarial Assumptions*

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

###### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

##### 2019 Changes

###### *Changes in Actuarial Assumptions*

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

### III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

#### **Police and Fire Fund**

##### 2019 Changes

###### *Changes in Plan Provisions (Continued)*

- There have been no changes since the prior valuation.

##### 2018 Changes

###### *Changes in Actuarial Assumptions*

- The morality projection scale was changed from MP-2016 to MP-2017.

###### *Changes in Plan Provisions*

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- 
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

##### 2017 Changes

###### *Changes in Actuarial Assumptions*

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.



### III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

#### **Police and Fire Fund**

##### 2017 Changes

###### *Changes in Actuarial Assumptions (Continued)*

- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

###### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

##### 2016 Changes

###### *Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

###### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

##### 2015 Changes

###### *Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

###### *Changes in Plan Provisions*

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

## **SUPPLEMENTARY INFORMATION**

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

The Loan Pool/EDA Special Revenue Fund is used to account for and report loan transactions restricted for economic development.

The Small Cities Development Grant Special Revenue Fund is used to account for and report the financial transactions of projects to repair commercial and residential properties restricted for economic development.

Capital Projects Funds

The Long-Term Capital Projects Fund is used to account for and report financial resources assigned to capital outlay. Financing is provided by taxes levied for future capital projects.

The Lot Incentive Program Capital Projects Fund is used to account for and report the sale of donated city lots and the related expenses assigned to capital outlay.

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	Special Revenue Funds (Statement 3)	Capital Projects Funds (Statement 5)	Total Nonmajor Governmental Funds (Exhibit 3)
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 88,182	\$ 98,897	\$ 187,079
Investments	19,152	-	19,152
Taxes receivable			
Current	-	415	415
Prior	-	1,075	1,075
Loans receivable	137,602	-	137,602
<b>Total Assets</b>	<b>\$ 244,936</b>	<b>\$ 100,387</b>	<b>\$ 345,323</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 100	\$ -	\$ 100
<b>Deferred Inflows of Resources</b>			
Taxes	\$ -	\$ 1,075	\$ 1,075
Loans	137,602	-	137,602
<b>Total Deferred Inflows of Resources</b>	<b>\$ 137,602</b>	<b>\$ 1,075</b>	<b>\$ 138,677</b>
<b>Fund Balances</b>			
Restricted for economic development	\$ 107,234	\$ -	\$ 107,234
Assigned to capital outlay	-	99,312	99,312
<b>Total Fund Balances</b>	<b>\$ 107,234</b>	<b>\$ 99,312</b>	<b>\$ 206,546</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 244,936</b>	<b>\$ 100,387</b>	<b>\$ 345,323</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Statement 2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds (Statement 4)	Capital Projects Funds (Statement 6)	Total Nonmajor Governmental Funds (Exhibit 5)
<b>Revenues</b>			
Property taxes	\$ -	\$ 9,672	\$ 9,672
Investment earnings	57	-	57
Gifts and contributions	11,000	-	11,000
Miscellaneous	8,443	-	8,443
<b>Total Revenues</b>	<b>\$ 19,500</b>	<b>\$ 9,672</b>	<b>\$ 29,172</b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	23,791	-	23,791
<b>Capital outlay</b>			
Highways and streets	-	44,373	44,373
<b>Total Expenditures</b>	<b>\$ 23,791</b>	<b>\$ 44,373</b>	<b>\$ 68,164</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (4,291)</b>	<b>\$ (34,701)</b>	<b>\$ (38,992)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	53,740	53,740
<b>Net Change in Fund Balance</b>	<b>\$ (4,291)</b>	<b>\$ 19,039</b>	<b>\$ 14,748</b>
<b>Fund Balance - January 1</b>	<b>111,525</b>	<b>80,273</b>	<b>191,798</b>
<b>Fund Balance - December 31</b>	<b>\$ 107,234</b>	<b>\$ 99,312</b>	<b>\$ 206,546</b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Statement 3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2022**

	<u>Loan Pool/EDA</u>	<u>Small Cities Development Grant</u>	<u>Total (Statement 1)</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 18,695	\$ 69,487	\$ 88,182
Investments	19,152	-	19,152
Loans receivable	<u>115,783</u>	<u>21,819</u>	<u>137,602</u>
<b>Total Assets</b>	<b><u>\$ 153,630</u></b>	<b><u>\$ 91,306</u></b>	<b><u>\$ 244,936</u></b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 100	\$ -	\$ 100
<b>Deferred Inflows of Resources</b>			
Loans	115,783	21,819	137,602
<b>Fund Balances</b>			
Restricted for economic development	<u>37,747</u>	<u>69,487</u>	<u>107,234</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 153,630</u></b>	<b><u>\$ 91,306</u></b>	<b><u>\$ 244,936</u></b>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Statement 4**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Loan Pool/EDA</u>	<u>Small Cities Development Grant</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Investment earnings	\$ 57	\$ -	\$ 57
Gifts and contributions	11,000	-	11,000
Miscellaneous	<u>8,443</u>	<u>-</u>	<u>8,443</u>
<b>Total Revenues</b>	<b>\$ 19,500</b>	<b>\$ -</b>	<b>\$ 19,500</b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	<u>23,791</u>	<u>-</u>	<u>23,791</u>
<b>Net Change in Fund Balance</b>	<b>\$ (4,291)</b>	<b>\$ -</b>	<b>\$ (4,291)</b>
<b>Fund Balance - January 1</b>	<u>42,038</u>	<u>69,487</u>	<u>111,525</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 37,747</u></u>	<u><u>\$ 69,487</u></u>	<u><u>\$ 107,234</u></u>

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Statement 5**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2022**

	<u>Long-Term Capital Projects</u>	<u>Lot Incentive Program</u>	<u>Total (Statement 1)</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 84,173	\$ 14,724	\$ 98,897
Taxes receivable			
Current	415	-	415
Prior	1,075	-	1,075
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 85,663</u></b>	<b><u>\$ 14,724</u></b>	<b><u>\$ 100,387</u></b>
 <b><u>Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 1,075	\$ -	\$ 1,075
 <b>Fund Balances</b>			
Assigned to capital outlay	84,588	14,724	99,312
	<hr/>	<hr/>	<hr/>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 85,663</u></b>	<b><u>\$ 14,724</u></b>	<b><u>\$ 100,387</u></b>



**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Statement 6**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Long-Term Capital Projects</u>	<u>Lot Incentive Program</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Property taxes	\$ 9,672	\$ -	\$ 9,672
<b>Expenditures</b>			
Capital outlay			
Highways and streets	44,373	-	44,373
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (34,701)</b>	<b>\$ -</b>	<b>\$ (34,701)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	53,740	-	53,740
<b>Net Change in Fund Balance</b>	<b>\$ 19,039</b>	<b>\$ -</b>	<b>\$ 19,039</b>
<b>Fund Balance - January 1</b>	<b>65,549</b>	<b>14,724</b>	<b>80,273</b>
<b>Fund Balance - December 31</b>	<b>\$ 84,588</b>	<b>\$ 14,724</b>	<b>\$ 99,312</b>

## **OTHER SCHEDULES**

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 5**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Shared Revenue**

**State**

Fire state aid	\$ 13,083
Firefighters relief (supplemental benefits)	1,000
Local government aid	342,168
Market value credit	379
Police state aid	20,033

<b>Total Shared Revenue</b>	<b>\$ 376,663</b>
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**Grants**

**State**

**Minnesota Department/Board of**

Natural Resources	\$ 17,411
Peace Officer Standards and Training	3,044
Public Safety	6,995
Transportation	2,348
Trial Courts	1,173

<b>Total State</b>	<b>\$ 30,971</b>
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**Federal**

**Department of**

The Treasury	41,254
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<b>Total Grants</b>	<b>\$ 72,225</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 448,888</b>
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## **MANAGEMENT AND COMPLIANCE SECTION**

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | [choffman@hpmaudit.com](mailto:choffman@hpmaudit.com)

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

City Council  
City of Twin Valley

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Twin Valley's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Twin Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the City of Twin Valley has no tax increment financing districts.

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

### **City of Twin Valley's Response to Finding**

*Government Auditing Standards* requires the auditor perform limited procedures on the City of Twin Valley's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The City of Twin Valley's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and no to provide an opinion on the effectiveness of the City of Twin Valley's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Twin Valley's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Martell, PLLC  
April 6, 2023

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**Finding Number: 2022-001**

**Prior Year Finding Number(s): 2021-001**

**Repeat Finding Since: 2005**

**Finding Title: Segregation of Duties and Internal Controls**

**Criteria:** The financial statements are the responsibility of the City's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the City's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. These controls must include a process for monitoring controls to ensure effectiveness and efficiency of operations.

**Condition:** Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The City does not have a process for monitoring to ensure the internal controls are effective. Due to the limited number of personnel within the City of Twin Valley, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

**Context:** The small size and staffing of the City of Twin Valley limits the segregation of duties and internal control that management can design and implement. Although the City of has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

**Effect:** Without documented internal controls and a process for monitoring internal controls, the City cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

**Cause:** The City has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

**Recommendation:** Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend the City of Twin Valley formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

**City's Response:** *The Council reviews the claims listings at monthly meetings and approves bills to be paid. All checks require three original signatures, the Mayor, the Clerk/Treasurer, and the Vice Mayor. The Council also approves all transfers, selling and purchasing of investments and reserves. The local financial institution requires written documentation of the Council action approving these*

**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

*transactions. Additionally, The City Council along with the City Clerk/Treasurer will work to create a formalized document in regards to internal controls and the monitoring process used to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.*





## CITY OF TWIN VALLEY

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### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2022

**Finding Number: 2022-001**

**Finding Title: Segregation of Duties and Internal Controls**

**Name of Contact Person Responsible for Corrective Action:** City Council and management.

**Corrective Action Planned:** The City of Twin Valley is aware of the segregation of duties and internal control over financial reporting issue. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

**Anticipated Completion Date:** December 31, 2023.



## CITY OF TWIN VALLEY

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### SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2022

**Finding Number: 2021-001**

**Repeat Finding Since: 2005**

**Finding Title: Segregation of Duties and Internal Controls**

**Summary of Condition:** Due to the limited number of personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

**Summary of Corrective Action:** Management is continually aware that segregation of duties is not adequate from an internal control point of view. The City Council continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

**Status:** Not fully corrected.