

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

YEAR ENDED DECEMBER 31, 2020



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, 2020**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
<b>Elected</b>		
Benjamin Fall	Mayor	December 31, 2022
Michael Bolton	Vice-Mayor	December 31, 2022
Joel Pearson <sup>1</sup>	Council Member	December 31, 2020
Nathan Dobmeyer <sup>2</sup>	Councilmember	December 31, 2020
Mike Lampton	Councilmember	December 31, 2022
<b>Appointed</b>		
Rachel L. Johnson	Clerk/Treasurer	Indefinite

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<sup>1</sup> Replaced by newly elected Mark Askelon on January 1, 2021. Term expires December 31, 2024.

<sup>2</sup> Replaced by newly elected Paul Bekkerus on January 1, 2021. Term expires December 31, 2024.

## **FINANCIAL SECTION**

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



Hoffman, Philipp, & Martell, PLLC

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Twin Valley

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley, Minnesota, as of December 31, 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other 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 supplementary information, introductory section, combining and individual nonmajor fund financial statements, and other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, 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 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's internal control over financial reporting and compliance.

## **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis is not a required part of the basic financial statements. The SEFA 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. Such 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Martell, PLLC  
April 26, 2021



# 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, 2020. 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 \$1,396,741 of which \$515,549 is the net investment in capital assets, \$108,232 is restricted for culture and recreation and economic development, and \$772,960 is unrestricted. The total net position of governmental activities increased by \$149,492 for the year ended December 31, 2020. This is attributed primarily to the receipt of Coronavirus Relief Grant Funds, and a transfer from the Liquor Enterprise Fund.

The total net position of business-type activities is \$4,576,184 of which \$2,144,929 is the net investment in capital assets, \$671,254 is restricted for debt service, and \$1,760,001 is unrestricted. The total net position of business-type activities increased by \$879,916 in 2020, primarily due to the addition of capital assets financed by grants.

At the close of 2020, the City's governmental funds reported combined ending fund balances of \$825,914, a decrease of \$6,711 from the prior year. Of the total fund balance amount, \$108,232 is legally or contractually restricted for economic development and culture and recreation, and \$717,682 is assigned for specific purposes. 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.

## 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 \$5,972,925 at the close of 2020. Approximately 44 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 14 percent of the City's net position is restricted for specific purposes, and 42 percent of the City's net position is unrestricted. The unrestricted net position amount of \$2,532,961 as of December 31, 2020, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$1,057,295 from the prior year, primarily due to the addition of capital assets financed by grants. Total liabilities increased by \$131,520 from the prior year, primarily due to the issuance of long-term debt. Deferred outflows of resources and deferred inflows of resources decreased by a net amount of \$82,507 related to pension expense. This resulted in an increased net position of \$1,029,408 from the prior year.

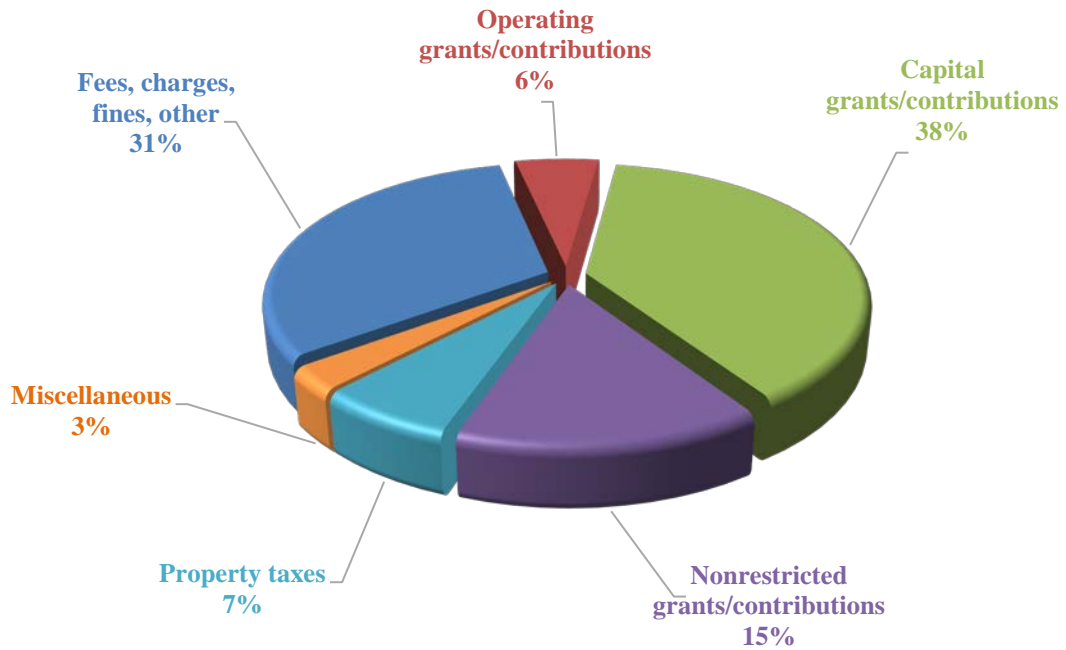
## NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,151,168	\$ 1,164,627	\$ 2,640,109	\$ 2,667,306	\$ 3,791,277	\$ 3,831,933
Capital assets	598,336	442,235	4,617,768	3,675,918	5,216,104	4,118,153
Total assets	\$ 1,749,504	\$ 1,606,862	\$ 7,257,877	\$ 6,343,224	\$ 9,007,381	\$ 7,950,086
Deferred Outflows - pensions	\$ 119,072	\$ 117,814	\$ 17,744	\$ 8,439	\$ 136,816	\$ 126,253
Other liabilities	\$ 31,537	\$ 36,228	\$ 38,657	\$ 144,259	\$ 70,194	\$ 180,487
Long-term liabilities outstanding	304,538	222,432	2,646,524	2,486,817	2,951,062	2,709,249
Total liabilities	\$ 336,075	\$ 258,660	\$ 2,685,181	\$ 2,631,076	\$ 3,021,256	\$ 2,889,736
Deferred Inflows - pensions	\$ 135,760	\$ 218,767	\$ 14,256	\$ 24,319	\$ 150,016	\$ 243,086
Net position						
Net investment in capital assets	\$ 515,549	\$ 421,836	\$ 2,144,929	\$ 1,353,580	\$ 2,660,478	\$ 1,775,416
Restricted	108,232	102,870	671,254	701,918	779,486	804,788
Unrestricted amounts	772,960	722,543	1,760,001	1,640,770	2,532,961	2,363,313
Total net position	\$ 1,396,741	\$ 1,247,249	\$ 4,576,184	\$ 3,696,268	\$ 5,972,925	\$ 4,943,517

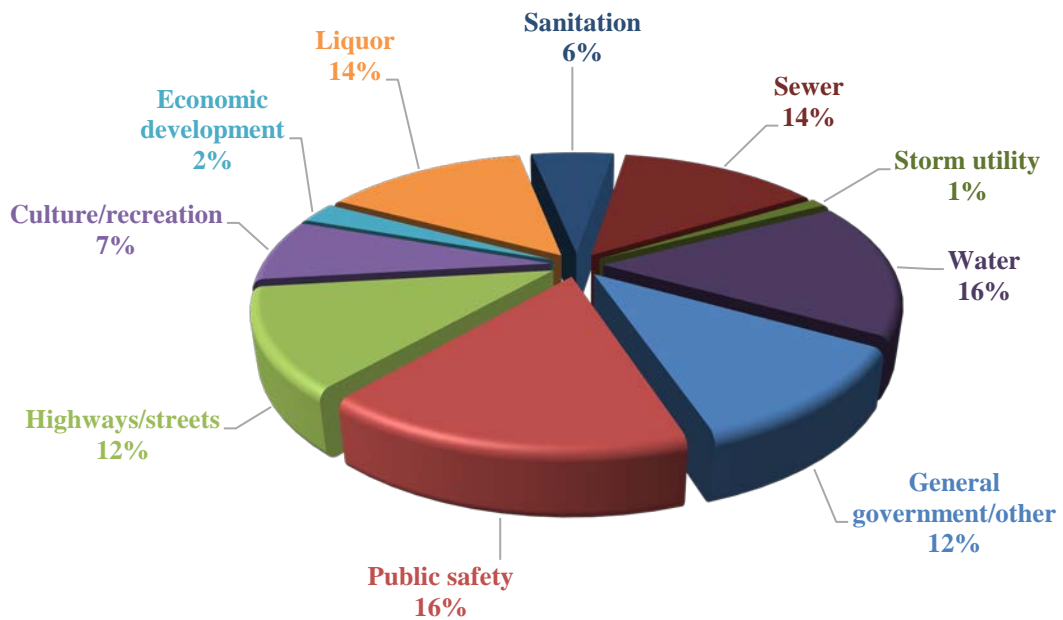
## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 78,992	\$ 148,164	\$ 677,651	\$ 676,095	\$ 756,643	\$ 824,259
Operating grants and contributions	136,894	81,203	-	-	136,894	81,203
Capital grants and contributions	38,731	70,712	881,553	362,850	920,284	433,562
General Revenues and Transfers						
Property taxes	161,098	151,513	-	-	161,098	151,513
Grants and contributions not restricted to specific programs	333,135	317,029	22,689	20,722	355,824	337,751
Investment earnings	5,178	4,097	863	560	6,041	4,657
Miscellaneous	48,300	14,904	14,378	907	62,678	15,811
Transfers	28,000	24,674	(28,000)	(24,674)	-	-
Total revenues	\$ 830,328	\$ 812,296	\$ 1,569,134	\$ 1,036,460	\$ 2,399,462	\$ 1,848,756
Expenses						
General government	\$ 152,657	\$ 147,963	\$ -	\$ -	\$ 152,657	\$ 147,963
Public safety	222,722	263,041	-	-	222,722	263,041
Highways and streets	162,597	112,629	-	-	162,597	112,629
Culture and recreation	102,076	128,760	-	-	102,076	128,760
Conservation of natural resources	5,486	1,779	-	-	5,486	1,779
Economic development	34,300	76,031	-	-	34,300	76,031
Interest	998	1,462	-	-	998	1,462
Liquor	-	-	190,169	222,889	190,169	222,889
Sanitation	-	-	77,059	54,736	77,059	54,736
Sewer	-	-	186,192	251,460	186,192	251,460
Storm utility	-	-	14,200	14,601	14,200	14,601
Water	-	-	221,598	303,899	221,598	303,899
Total expenses	\$ 680,836	\$ 731,665	\$ 689,218	\$ 847,585	\$ 1,370,054	\$ 1,579,250
Increase (decrease) in net position	\$ 149,492	\$ 80,631	\$ 879,916	\$ 188,875	\$ 1,029,408	\$ 269,506
Net position, January 1	1,247,249	1,166,618	3,696,268	3,507,393	4,943,517	4,674,011
Net position, December 31	\$ 1,396,741	\$ 1,247,249	\$ 4,576,184	\$ 3,696,268	\$ 5,972,925	\$ 4,943,517

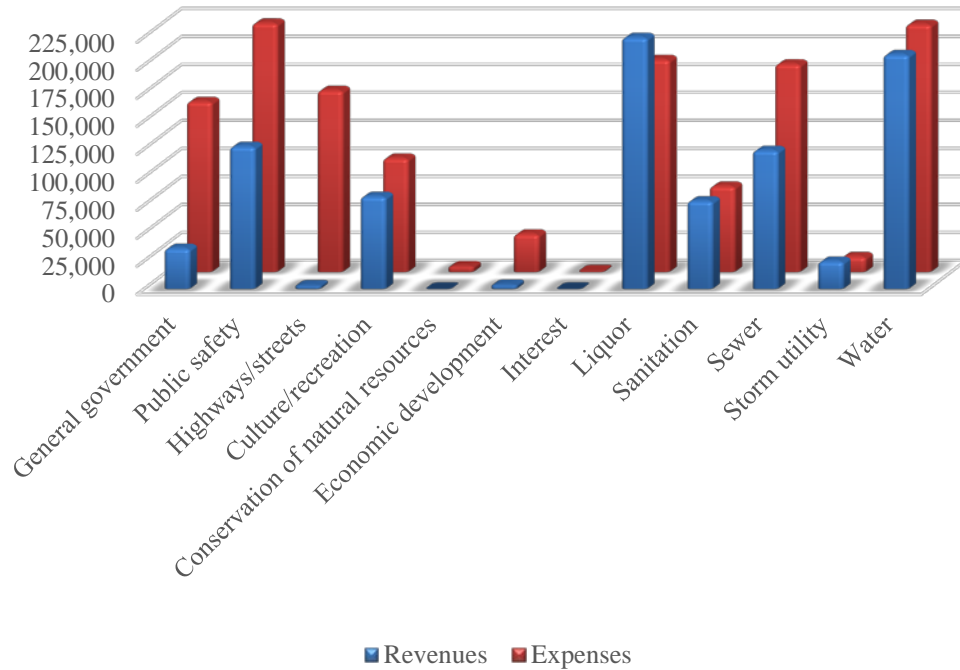
## Revenues by Source



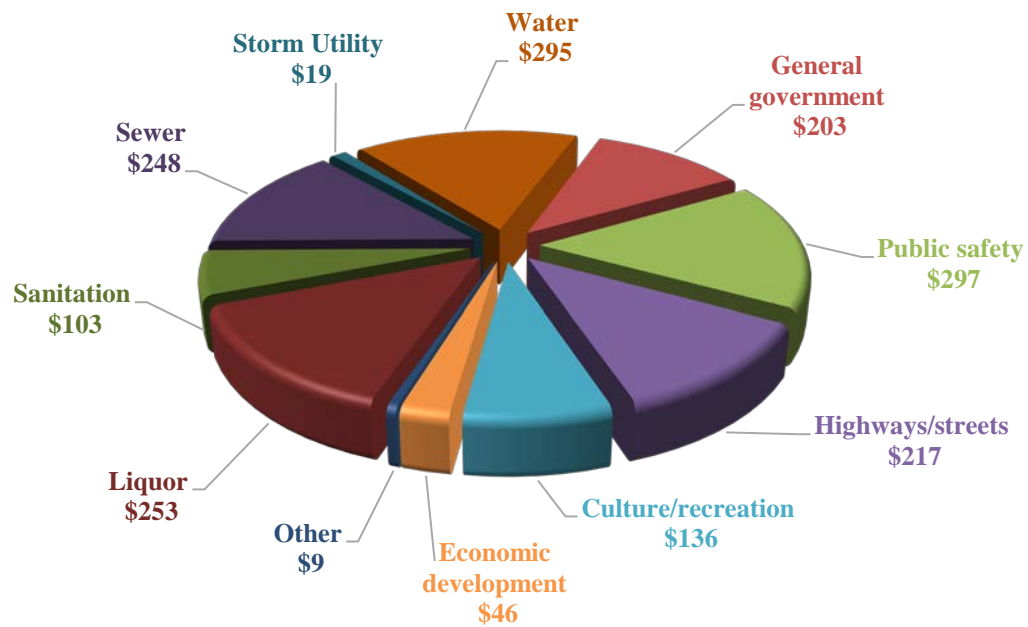
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 751 Population as of 2020



## **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 2020, the City's governmental funds reported combined ending fund balances of \$825,914. Of this amount, 13 percent constitutes legally or contractually restricted fund balance, and 87 percent constitutes specifically assigned 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 \$624,406. The General Fund's restricted fund balance was \$402, and the assigned fund balance was \$624,004. 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 2020. Both unrestricted fund balance and total fund balance represent approximately 70 percent of total General Fund expenditures.

In 2020, the fund balance amount in the General Fund decreased by \$27,101, due to the purchase of capital assets, specifically building and infrastructure for the splash park.

### **Proprietary Funds**

The Liquor Enterprise Fund reported an operating income in 2020 of \$48,090, 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 2020 of \$1,999, indicating that the fund is collecting fees at a rate consistent with costs.

The Sewer Enterprise Fund reported an operating loss in 2020 of \$45,837, indicating that it is collecting fees for services at a rate below costs.

The Water Enterprise Fund reported an operating income in 2020 of \$14,686, indicating that the fund is collecting fees at a rate above costs.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budget as approved for 2020.

Actual revenues were more than overall budgeted revenues by \$60,402, with the largest variance in intergovernmental revenue. Actual expenditures were more than overall final budgeted expenditures by \$197,347, with the largest variance in capital outlay.

## 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, 2020, amounted to \$5,216,104 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 27 percent. This increase was primarily due to the additions of the splash park and the water treatment facility improvement.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 57,839	\$ 58,376	\$ 46,816	\$ 46,816	\$ 104,655	\$ 105,192
Construction in progress	-	-	-	394,094	-	394,094
Infrastructure	59,521	64,392	4,400,296	3,082,341	4,459,817	3,146,733
Buildings and improvements	219,156	109,360	169,656	151,166	388,812	260,526
Land improvements	3,600	4,200	-	-	3,600	4,200
Machinery and equipment	258,220	205,907	1,000	1,501	259,220	207,408
Total capital assets	<u>\$ 598,336</u>	<u>\$ 442,235</u>	<u>\$ 4,617,768</u>	<u>\$ 3,675,918</u>	<u>\$ 5,216,104</u>	<u>\$ 4,118,153</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 \$2,555,626 which is backed by the full faith and credit of the government.

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Police Interceptor Lease	\$ 10,443	\$ 20,399	\$ -	\$ -	\$ 10,443	\$ 20,399
Case Loader Lease	72,344	-	-	-	72,344	-
Minnesota PFA						
Drinking Water State Revolving Funds	-	-	289,839	80,338	289,839	80,338
G.O. Utility Revenue and Refunding Bonds, Series 2012A	-	-	170,000	229,000	170,000	229,000
G.O. Utility Revenue and Refunding Bonds, Series 2019B	-	-	2,013,000	2,013,000	2,013,000	2,013,000
	<u>\$ 82,787</u>	<u>\$ 20,399</u>	<u>\$ 2,472,839</u>	<u>\$ 2,322,338</u>	<u>\$ 2,555,626</u>	<u>\$ 2,342,737</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 2020, 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.
- For 2021, the most significant challenge will be adjusting to the impacts of the worldwide Coronavirus pandemic. The total extent of the impact on the City, both financially and operationally, are still uncertain at this time.

## **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 4.9 percent as of December 31, 2020. This is lower than the statewide rate of 6.5 percent and lower than the national average rate of 6.7 percent.
- Twin Valley's 2020 population per the League of Minnesota Cities was 751, a decrease of 70 since the 2010 census of 821.
- On December 14, 2020, the City of Twin Valley set its 2021 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, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 430,858	\$ 1,757,321	\$ 2,188,179
Investments	413,267	116,810	530,077
Taxes receivable			
Current	7,723	1,035	8,758
Prior	18,078	2,569	20,647
Special assessments receivable			
Current	-	8,477	8,477
Prior	320	21,715	22,035
Accounts receivable	4,635	9,965	14,600
Loans receivable	125,213	-	125,213
Inventories	-	49,619	49,619
Prepaid items	968	1,344	2,312
Special assessments receivable - noncurrent	-	671,254	671,254
Net pension asset	150,106	-	150,106
Capital assets			
Non-depreciable	57,839	46,816	104,655
Depreciable - net of accumulated depreciation	540,497	4,570,952	5,111,449
<b>Total Assets</b>	<b>\$ 1,749,504</b>	<b>\$ 7,257,877</b>	<b>\$ 9,007,381</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 119,072	\$ 17,744	\$ 136,816
<b><u>Liabilities</u></b>			
Accounts payable	\$ 5,542	\$ 27,239	\$ 32,781
Salaries payable	24,895	6,829	31,724
Due to other governments	-	4,589	4,589
Customer deposits	1,100	-	1,100
Long-term liabilities			
Due within one year	37,302	137,969	175,271
Due in more than one year	67,075	2,357,710	2,424,785
Net pension liability	200,161	150,845	351,006
<b>Total Liabilities</b>	<b>\$ 336,075</b>	<b>\$ 2,685,181</b>	<b>\$ 3,021,256</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	\$ 135,760	\$ 14,256	\$ 150,016
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 515,549	\$ 2,144,929	\$ 2,660,478
Amounts restricted for			
Debt service	-	671,254	671,254
Culture and recreation	402	-	402
Economic development	107,830	-	107,830
Unrestricted amounts	772,960	1,760,001	2,532,961
<b>Total Net Position</b>	<b>\$ 1,396,741</b>	<b>\$ 4,576,184</b>	<b>\$ 5,972,925</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

		Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
	Expenses		
<b><u>Functions/Programs</u></b>			
<b>Governmental activities</b>			
General government	\$ 152,657	\$ 33,481	\$ 3,150
Public safety	222,722	39,397	88,288
Highways and streets	162,597	-	-
Culture and recreation	102,076	2,174	45,456
Conservation of natural resources	5,486	-	-
Economic development	34,300	3,940	-
Interest	998	-	-
<b>Total governmental activities</b>	<b>\$ 680,836</b>	<b>\$ 78,992</b>	<b>\$ 136,894</b>
<b>Business-type activities</b>			
Liquor	\$ 190,169	\$ 239,658	\$ -
Sanitation	77,059	79,058	-
Sewer	186,192	124,120	-
Storm utility	14,200	25,128	-
Water	221,598	209,687	-
<b>Total business-type activities</b>	<b>\$ 689,218</b>	<b>\$ 677,651</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 1,370,054</b>	<b>\$ 756,643</b>	<b>\$ 136,894</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
\$ -	\$ (116,026)	\$ -	\$ (116,026)
-	(95,037)	-	(95,037)
3,331	(159,266)	-	(159,266)
35,400	(19,046)	-	(19,046)
-	(5,486)	-	(5,486)
-	(30,360)	-	(30,360)
-	(998)	-	(998)
<b>\$ 38,731</b>	<b>\$ (426,219)</b>	<b>\$ -</b>	<b>\$ (426,219)</b>
\$ -	\$ -	\$ 49,489	\$ 49,489
-	-	1,999	1,999
13,939	-	(48,133)	(48,133)
4,605	-	15,533	15,533
863,009	-	851,098	851,098
<b>\$ 881,553</b>	<b>\$ -</b>	<b>\$ 869,986</b>	<b>\$ 869,986</b>
<b>\$ 920,284</b>	<b>\$ (426,219)</b>	<b>\$ 869,986</b>	<b>\$ 443,767</b>
	\$ 161,098	\$ -	\$ 161,098
	333,135	22,689	355,824
	5,178	863	6,041
	48,300	14,378	62,678
	28,000	(28,000)	-
	<b>\$ 575,711</b>	<b>\$ 9,930</b>	<b>\$ 585,641</b>
	<b>\$ 149,492</b>	<b>\$ 879,916</b>	<b>\$ 1,029,408</b>
	<b>1,247,249</b>	<b>3,696,268</b>	<b>4,943,517</b>
	<b>\$ 1,396,741</b>	<b>\$ 4,576,184</b>	<b>\$ 5,972,925</b>

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

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General Fund	Other Governmental Funds (Statement 1)	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 248,821	\$ 182,037	\$ 430,858
Investments	394,267	19,000	413,267
Taxes receivable			
Current	7,252	471	7,723
Prior	16,910	1,168	18,078
Special assessments receivable			
Prior	320	-	320
Accounts receivable	4,635	-	4,635
Loans receivable	-	125,213	125,213
Prepaid items	968	-	968
<b>Total Assets</b>	<b>\$ 673,173</b>	<b>\$ 327,889</b>	<b>\$ 1,001,062</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,542	\$ -	\$ 5,542
Salaries payable	24,895	-	24,895
Customer deposits	1,100	-	1,100
<b>Total Liabilities</b>	<b>\$ 31,537</b>	<b>\$ -</b>	<b>\$ 31,537</b>
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 16,910	\$ 1,168	\$ 18,078
Loans	-	125,213	125,213
Special assessments	320	-	320
<b>Total Deferred Inflows of Resources</b>	<b>\$ 17,230</b>	<b>\$ 126,381</b>	<b>\$ 143,611</b>
<b>Fund Balances</b>			
Restricted for			
Economic development	\$ -	\$ 107,830	\$ 107,830
Culture and recreation	402	-	402
Assigned to			
General government	264,347	-	264,347
Public safety	53,440	-	53,440
Highways and streets	288,474	-	288,474
Culture and recreation	17,743	-	17,743
Capital outlay	-	93,678	93,678
<b>Total Fund Balances</b>	<b>\$ 624,406</b>	<b>\$ 201,508</b>	<b>\$ 825,914</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 673,173</b>	<b>\$ 327,889</b>	<b>\$ 1,001,062</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, 2020**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 825,914</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.	598,336
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	293,717
Deferred outflows of resources are not available resources and, therefore are not reported in the governmental funds:	
Deferred outflows of resources related to pensions	119,072
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	\$ (82,787)
Compensated absences	(21,590)
Net pension liability	<u>(200,161)</u>
	(304,538)
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>(135,760)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 1,396,741</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, 2020**

	General Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 149,347	\$ 9,883	\$ 159,230
Special assessments	1,670	-	1,670
Licenses and permits	2,380	-	2,380
Intergovernmental	478,508	-	478,508
Charges for services	43,579	-	43,579
Gifts and contributions	28,868	-	28,868
Investment earnings	4,896	282	5,178
Miscellaneous	63,157	8,525	71,682
<b>Total Revenues</b>	<b>\$ 772,405</b>	<b>\$ 18,690</b>	<b>\$ 791,095</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 155,742	\$ -	\$ 155,742
Public safety	238,266	-	238,266
Highways and streets	151,260	-	151,260
Culture and recreation	92,908	-	92,908
Conservation of natural resources	5,486	-	5,486
Economic development	31,000	3,300	34,300
<b>Debt service</b>			
Principal retirement	9,956	-	9,956
Interest and fees	998	-	998
<b>Capital outlay</b>			
Highways and streets	94,656	-	94,656
Culture and recreation	114,578	-	114,578
<b>Total Expenditures</b>	<b>\$ 894,850</b>	<b>\$ 3,300</b>	<b>\$ 898,150</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (122,445)</b>	<b>\$ 15,390</b>	<b>\$ (107,055)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 28,000	\$ 5,000	\$ 33,000
Transfers out	(5,000)	-	(5,000)
Proceeds from loan	72,344	-	72,344
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 95,344</b>	<b>\$ 5,000</b>	<b>\$ 100,344</b>
<b>Net Change in Fund Balance</b>	<b>\$ (27,101)</b>	<b>\$ 20,390</b>	<b>\$ (6,711)</b>
<b>Fund Balance - January 1</b>	<b>651,507</b>	<b>181,118</b>	<b>832,625</b>
<b>Fund Balance - December 31</b>	<b>\$ 624,406</b>	<b>\$ 201,508</b>	<b>\$ 825,914</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, 2020**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(6,711)
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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	\$	209,234	
Current year depreciation		(52,596)	
Net book value of assets disposed		(537)	156,101

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	\$	1,868	
Special assessments receivable		(286)	
Loans receivable		(4,585)	(3,003)

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.

Proceeds from capital lease	\$	(72,344)	
Principal repayment		9,956	(62,388)

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			
Compensated absences payable	\$	3,559	
Net pension asset		946	
Net pension liability		(23,277)	
Deferred outflows of resources related to net pension liability		1,258	
Deferred inflows of resources related to net pension liability		83,007	65,493

Change in net position of governmental activities (Exhibit 2)	\$	<u>149,492</u>
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**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

	<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	\$ 211,596	\$ 143,186	\$ 559,765	\$ 713,911	\$ 128,863	\$ 1,757,321
Investments	74,647	-	37,025	5,138	-	116,810
Taxes receivable						
Current	-	-	621	155	259	1,035
Prior	-	-	1,162	1,144	263	2,569
Special assessments receivable						
Current	-	-	3,828	3,787	862	8,477
Prior	-	676	8,940	11,850	249	21,715
Accounts receivable	-	920	2,246	6,256	543	9,965
Inventories	49,619	-	-	-	-	49,619
Prepaid items	1,344	-	-	-	-	1,344
<b>Total Current Assets</b>	<b>\$ 337,206</b>	<b>\$ 144,782</b>	<b>\$ 613,587</b>	<b>\$ 742,241</b>	<b>\$ 131,039</b>	<b>\$ 1,968,855</b>
<b>Noncurrent Assets</b>						
Special assessments receivable	\$ -	\$ -	\$ 231,375	\$ 439,879	\$ -	\$ 671,254
Capital assets						
Non-depreciable	10,000	-	18,086	7,000	11,730	46,816
Depreciable - net of accumulated depreciation	86,654	-	1,426,739	2,582,719	474,840	4,570,952
<b>Total Noncurrent Assets</b>	<b>\$ 96,654</b>	<b>\$ -</b>	<b>\$ 1,676,200</b>	<b>\$ 3,029,598</b>	<b>\$ 486,570</b>	<b>\$ 5,289,022</b>
<b>Total Assets</b>	<b>\$ 433,860</b>	<b>\$ 144,782</b>	<b>\$ 2,289,787</b>	<b>\$ 3,771,839</b>	<b>\$ 617,609</b>	<b>\$ 7,257,877</b>
<b><u>Deferred Outflows of Resources</u></b>						
Related to pensions	\$ 8,872	\$ -	\$ 4,436	\$ 4,436	\$ -	\$ 17,744
<b><u>Liabilities</u></b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 5,884	\$ 5,587	\$ 524	\$ 15,244	\$ -	\$ 27,239
Salaries payable	3,561	-	1,634	1,634	-	6,829
Compensated absences payable	3,137	-	2,916	2,916	-	8,969
Due to other governments	3,607	854	-	128	-	4,589
MN PFA Loans payable	-	-	-	9,000	-	9,000
2019 Utility Revenue Refunding Bonds payable	-	-	20,650	38,350	-	59,000
2012 Utility Revenue and Refunding Bonds payable	-	-	36,200	10,550	14,250	61,000
<b>Total Current Liabilities</b>	<b>\$ 16,189</b>	<b>\$ 6,441</b>	<b>\$ 61,924</b>	<b>\$ 77,822</b>	<b>\$ 14,250</b>	<b>\$ 176,626</b>
<b>Noncurrent Liabilities</b>						
Compensated absences payable	\$ 7,145	\$ -	\$ 3,363	\$ 3,363	\$ -	\$ 13,871
Net pension liability	75,423	-	37,711	37,711	-	150,845
MN PFA Loans payable	-	-	-	280,839	-	280,839
2019 Utility Revenue Refunding Bonds payable	-	-	683,900	1,270,100	-	1,954,000
2012 Utility Revenue and Refunding Bonds payable	-	-	64,600	19,150	25,250	109,000
<b>Total Noncurrent Liabilities</b>	<b>\$ 82,568</b>	<b>\$ -</b>	<b>\$ 789,574</b>	<b>\$ 1,611,163</b>	<b>\$ 25,250</b>	<b>\$ 2,508,555</b>
<b>Total Liabilities</b>	<b>\$ 98,757</b>	<b>\$ 6,441</b>	<b>\$ 851,498</b>	<b>\$ 1,688,985</b>	<b>\$ 39,500</b>	<b>\$ 2,685,181</b>

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

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

	<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	\$ 7,128	\$ -	\$ 3,564	\$ 3,564	\$ -	\$ 14,256
<b><u>Net Position</u></b>						
Net investment in capital assets	\$ 96,654	\$ -	\$ 639,475	\$ 961,730	\$ 447,070	\$ 2,144,929
Amounts restricted for debt service	-	-	231,375	439,879	-	671,254
Unrestricted amounts	240,193	138,341	568,311	682,117	131,039	1,760,001
<b>Total Net Position</b>	<b><u>\$ 336,847</u></b>	<b><u>\$ 138,341</u></b>	<b><u>\$ 1,439,161</u></b>	<b><u>\$ 2,083,726</u></b>	<b><u>\$ 578,109</u></b>	<b><u>\$ 4,576,184</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, 2020**

	Liquor Enterprise	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Nonmajor Storm Utility Enterprise	Total
<b>Sales and Cost of Goods Sold</b>						
Sales	\$ 579,931	\$ -	\$ -	\$ -	\$ -	\$ 579,931
Cost of goods sold	(349,230)	-	-	-	-	(349,230)
<b>Gross Profit</b>	<b>\$ 230,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 230,701</b>
<b>Operating Revenues</b>						
Charges for services	\$ -	\$ 79,058	\$ 124,120	\$ 209,687	\$ 25,128	\$ 437,993
Vending machine commission	3,161	-	-	-	-	3,161
Rental income	4,397	-	-	-	-	4,397
<b>Total Operating Revenues</b>	<b>\$ 7,558</b>	<b>\$ 79,058</b>	<b>\$ 124,120</b>	<b>\$ 209,687</b>	<b>\$ 25,128</b>	<b>\$ 445,551</b>
<b>Total Gross Profit and Operating Revenues</b>	<b>\$ 238,259</b>	<b>\$ 79,058</b>	<b>\$ 124,120</b>	<b>\$ 209,687</b>	<b>\$ 25,128</b>	<b>\$ 676,252</b>
<b>Operating Expenses</b>						
Personnel services	\$ 115,307	\$ -	\$ 63,165	\$ 63,662	\$ -	\$ 242,134
Professional services	20,996	-	900	6,736	-	28,632
Contracted services	-	75,352	1,934	-	-	77,286
Administration	1,483	-	-	-	-	1,483
Advertising	1,686	-	-	-	-	1,686
Fuel	-	-	1,362	3,046	-	4,408
Insurance	9,855	-	5,045	5,675	-	20,575
Licenses and fees	-	-	-	411	-	411
Operating supplies	1,920	-	5,902	13,753	-	21,575
Other service and charges	-	1,707	-	-	-	1,707
Repairs and maintenance	6,774	-	5,200	20,727	-	32,701
Utilities	17,632	-	3,643	14,334	-	35,609
Miscellaneous	3,744	-	681	1,257	9	5,691
Depreciation	10,772	-	82,125	65,400	13,067	171,364
<b>Total Operating Expenses</b>	<b>\$ 190,169</b>	<b>\$ 77,059</b>	<b>\$ 169,957</b>	<b>\$ 195,001</b>	<b>\$ 13,076</b>	<b>\$ 645,262</b>
<b>Operating Income (Loss)</b>	<b>\$ 48,090</b>	<b>\$ 1,999</b>	<b>\$ (45,837)</b>	<b>\$ 14,686</b>	<b>\$ 12,052</b>	<b>\$ 30,990</b>
<b>Nonoperating Revenues (Expenses)</b>						
Property taxes	\$ -	\$ -	\$ 13,562	\$ 4,038	\$ 5,089	\$ 22,689
Special assessments	-	-	13,939	20,727	4,605	39,271
Miscellaneous	1,399	-	337	14,041	-	15,777
Intergovernmental	-	-	-	842,282	-	842,282
Investment earnings	502	-	320	41	-	863
Interest expense	-	-	(16,235)	(26,597)	(1,124)	(43,956)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 1,901</b>	<b>\$ -</b>	<b>\$ 11,923</b>	<b>\$ 854,532</b>	<b>\$ 8,570</b>	<b>\$ 876,926</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 49,991</b>	<b>\$ 1,999</b>	<b>\$ (33,914)</b>	<b>\$ 869,218</b>	<b>\$ 20,622</b>	<b>\$ 907,916</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, 2020**

	<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>
Transfers in	\$ -	\$ -	\$ -	\$ 660	\$ -	\$ 660
Transfers out	(25,000)	-	(1,720)	(1,500)	(440)	(28,660)
<b>Total Transfers</b>	<b>\$ (25,000)</b>	<b>\$ -</b>	<b>\$ (1,720)</b>	<b>\$ (840)</b>	<b>\$ (440)</b>	<b>\$ (28,000)</b>
<b>Change in Net Position</b>	<b>\$ 24,991</b>	<b>\$ 1,999</b>	<b>\$ (35,634)</b>	<b>\$ 868,378</b>	<b>\$ 20,182</b>	<b>\$ 879,916</b>
<b>Net Position - January 1</b>	<b>311,856</b>	<b>136,342</b>	<b>1,474,795</b>	<b>1,215,348</b>	<b>557,927</b>	<b>3,696,268</b>
<b>Net Position - December 31</b>	<b>\$ 336,847</b>	<b>\$ 138,341</b>	<b>\$ 1,439,161</b>	<b>\$ 2,083,726</b>	<b>\$ 578,109</b>	<b>\$ 4,576,184</b>

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

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
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>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 639,858	\$ 89,430	\$ 124,806	\$ 209,958	\$ 25,356	\$ 1,089,408
Payments to employees	(121,686)	-	(65,469)	(65,966)	-	(253,121)
Payments to suppliers	(470,743)	(80,792)	(26,227)	(67,779)	(9)	(645,550)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 47,429</b>	<b>\$ 8,638</b>	<b>\$ 33,110</b>	<b>\$ 76,213</b>	<b>\$ 25,347</b>	<b>\$ 190,737</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Miscellaneous receipts	\$ 1,197	\$ -	\$ 236	\$ 13,940	\$ -	\$ 15,373
Transfer in	-	-	-	660	-	660
Transfer out	(25,000)	-	(1,720)	(1,500)	(440)	(28,660)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ (23,803)</b>	<b>\$ -</b>	<b>\$ (1,484)</b>	<b>\$ 13,100</b>	<b>\$ (440)</b>	<b>\$ (12,627)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Property taxes received	\$ -	\$ -	\$ 13,533	\$ 3,168	\$ 5,281	\$ 21,982
Special assessments received	-	-	30,786	42,247	4,231	77,264
Intergovernmental receipts	-	-	-	930,672	-	930,672
Acquisition and construction of capital assets	(32,545)	-	-	(1,184,634)	-	(1,217,179)
MN PFA loan proceeds	-	-	-	232,668	-	232,668
Principal paid on debt	-	-	(35,100)	(10,970)	(14,000)	(60,070)
Interest paid on debt	-	-	(16,235)	(26,597)	(1,124)	(43,956)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (32,545)</b>	<b>\$ -</b>	<b>\$ (7,016)</b>	<b>\$ (13,446)</b>	<b>\$ (5,612)</b>	<b>\$ (58,619)</b>
<b>Cash Flows from Investing Activities</b>						
Investment earnings received	\$ 485	\$ -	\$ 320	\$ 41	\$ -	\$ 846
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (8,434)</b>	<b>\$ 8,638</b>	<b>\$ 24,930</b>	<b>\$ 75,908</b>	<b>\$ 19,295</b>	<b>\$ 120,337</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>294,677</b>	<b>134,548</b>	<b>571,860</b>	<b>643,141</b>	<b>109,568</b>	<b>1,753,794</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 286,243</b>	<b>\$ 143,186</b>	<b>\$ 596,790</b>	<b>\$ 719,049</b>	<b>\$ 128,863</b>	<b>\$ 1,874,131</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ 48,090	\$ 1,999	\$ (45,837)	\$ 14,686	\$ 12,052	\$ 30,990

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

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
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	\$ 10,772	\$ -	\$ 82,125	\$ 65,400	\$ 13,067	\$ 171,364
(Increase) decrease in assets						
Accounts receivable	-	396	686	690	228	2,000
Special assessments receivable	-	604	(1,500)	2,295	-	1,399
Inventories	331	-	-	-	-	331
Prepaid items	(36)	-	-	-	-	(36)
Increase (decrease) in liabilities						
Accounts payable	(5,098)	5,587	(60)	(4,575)	-	(4,146)
Salaries payable	(1,261)	-	16	16	-	(1,229)
Compensated absences payable	372	-	426	426	-	1,224
Due to other governments	(268)	52	-	21	-	(195)
Net pension liability	(5,473)	-	(2,746)	(2,746)	-	(10,965)
<b>Total adjustments</b>	<b>\$ (661)</b>	<b>\$ 6,639</b>	<b>\$ 78,947</b>	<b>\$ 61,527</b>	<b>\$ 13,295</b>	<b>\$ 159,747</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 47,429</b>	<b>\$ 8,638</b>	<b>\$ 33,110</b>	<b>\$ 76,213</b>	<b>\$ 25,347</b>	<b>\$ 190,737</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

**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, 2020, 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 2020 were \$2,457. Total investment earnings for 2020 were \$6,041.

**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 2009 through 2020 and noncurrent special assessments collectible in 2021 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.

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, 2020, 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.

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, 2020, 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.

**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)

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. At December 31, 2020, the City reports no unassigned fund balances.

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, 2020, 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, 2020, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 430,858
Investments	413,267
Business-type Activities	
Cash and pooled investments	1,757,321
Investments	116,810
Total Cash and Investments	<u>\$ 2,718,256</u>
Cash on hand	\$ 7,885
Checking	2,180,293
Savings	50,125
Certificates of deposit	<u>479,953</u>
Total Deposits and Cash on Hand	<u>\$ 2,718,256</u>

**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, 2020, 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, 2020, for the City's governmental and business-type activities, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 25,801	\$ -
Special assessments	320	-
Accounts receivable	4,635	-
Loans receivable	125,213	119,929
	<u>155,969</u>	<u>119,929</u>
Total Governmental Activities	<u>\$ 155,969</u>	<u>\$ 119,929</u>
Business-Type Activities		
Taxes	\$ 3,604	\$ -
Special assessments	701,446	671,254
Accounts receivable	9,965	-
	<u>715,015</u>	<u>671,254</u>
Total Business-Type Activities	<u>\$ 715,015</u>	<u>\$ 671,254</u>

**3. Capital Assets**

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2020, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 58,376	\$ -	\$ 537	\$ 57,839
Capital assets being depreciated				
Infrastructure	\$ 146,134	\$ -	\$ -	\$ 146,134
Buildings and improvements	378,719	114,578	-	493,297
Land improvements	15,600	-	-	15,600
Machinery and equipment	708,893	94,656	-	803,549
	<u>1,249,346</u>	<u>209,234</u>	<u>\$ -</u>	<u>\$ 1,458,580</u>
Total capital assets being depreciated				
Less: accumulated depreciation for				
Infrastructure	\$ 81,742	\$ 4,871	\$ -	\$ 86,613
Buildings and improvements	269,359	4,782	-	274,141
Land improvements	11,400	600	-	12,000
Machinery and equipment	502,986	42,343	-	545,329
	<u>865,487</u>	<u>52,596</u>	<u>\$ -</u>	<u>\$ 918,083</u>
Total accumulated depreciation				
Total capital assets, depreciated, net	<u>\$ 383,859</u>	<u>\$ 156,638</u>	<u>\$ -</u>	<u>\$ 540,497</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 442,235</u>	<u>\$ 156,638</u>	<u>\$ 537</u>	<u>\$ 598,336</u>

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

**II. Detailed Notes on All Funds**

**A. Assets**

**3. Capital Assets (Continued)**

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 46,816	\$ -	\$ -	\$ 46,816
Construction in progress	394,094	1,080,669	1,474,763	-
Total capital assets not depreciated	\$ 440,910	\$ 1,080,669	\$ 1,474,763	\$ 46,816
Capital assets being depreciated				
Infrastructure	\$ 6,174,135	\$ 1,474,763	\$ -	\$ 7,648,898
Buildings and improvements	514,828	32,545	-	547,373
Land improvements	11,082	-	-	11,082
Machinery and equipment	83,112	-	-	83,112
Total capital assets being depreciated	\$ 6,783,157	\$ 1,507,308	\$ -	\$ 8,290,465
Less: accumulated depreciation for				
Infrastructure	\$ 3,091,794	\$ 156,808	\$ -	\$ 3,248,602
Buildings and improvements	363,662	14,055	-	377,717
Land improvements	11,082	-	-	11,082
Machinery and equipment	81,611	501	-	82,112
Total accumulated depreciation	\$ 3,548,149	\$ 171,364	\$ -	\$ 3,719,513
Total capital assets, depreciated, net	\$ 3,235,008	\$ 1,335,944	\$ -	\$ 4,570,952
Business-Type Activities Capital Assets, Net	<u>\$ 3,675,918</u>	<u>\$ 2,416,613</u>	<u>\$ 1,474,763</u>	<u>\$ 4,617,768</u>

**Depreciation Expense**

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

Governmental Activities	
General government	\$ 1,164
Public safety	30,927
Highways and streets	11,337
Culture and recreation	9,168
Total Depreciation Expense - Governmental Activities	<u>\$ 52,596</u>
Business-Type Activities	
Liquor Store	\$ 10,772
Sewer	82,125
Storm Drainage	13,067
Water	65,400
Total Depreciation Expense - Business-Type Activities	<u>\$ 171,364</u>

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## II. Detailed Notes on All Funds

### B. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following operating transfers:

Transfer to General Fund from		
Liquor Enterprise Fund	\$ 25,000	Operating transfer
Sewer Enterprise Fund	1,500	For loader purchase
Water Enterprise Fund	1,500	For loader purchase
Total Transfers to General Fund:	<u>\$ 28,000</u>	
Transfer to Long-Term Capital Projects Fund from		
General Fund	<u>\$ 5,000</u>	Operating transfer
Transfer to Water Enterprise Fund from		
Sewer Enterprise Fund	\$ 220	Debt payments
Stormwater Utility Enterprise Fund	440	Debt Payments
Total Transfers to Water Enterprise Fund:	<u>\$ 660</u>	
Total Interfund Transfers	<u><u>\$ 33,660</u></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, 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 \$53,471 at December 31, 2020, 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.

#### 2. Long-Term Debt

##### Governmental Activities

City of Twin Valley capital lease issued August 15, 2018 represents debt incurred for a lease with the option to purchase of a Police Interceptor financed through CapFirst Equipment Finance, Inc. This lease has an original issue amount of \$40,585, with a net book value of \$27,277. This carries a net interest rate of 4.80 percent and is due in annual installments from the General Fund of \$10,443 through August 15, 2021. The balance due on this capital lease at December 31, 2020, is \$10,443.

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 \$88,244. 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, 2020 is \$72,344.

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

II. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities

	CapFirst Equipment Finance, Inc. Police Interceptor		Titan Machinery Case Wheel Loader
Year Ending December 31	Principal	Interest	Principal
2021	\$ 10,443	\$ 511	\$ 18,086
2022	-	-	18,086
2023	-	-	18,086
2024	-	-	18,086
	<u>\$ 10,443</u>	<u>\$ 511</u>	<u>\$ 72,344</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 \$61,000 through December 1, 2023. The balance due on these bonds at December 31, 2020, is \$170,000.

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 \$9,000 to \$12,000 from the Water Enterprise Fund through August 20, 2049. The balance due at December 31, 2020 is \$289,939.

The City of Twin Valley General Obligation Utility Refunding Bonds, Series 2019B, represents 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 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 \$59,000 and \$114,000 through February 1, 2043. The balance due on these bonds at December 31, 2020 is \$2,013,000.

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

**II. Detailed Notes on All Funds**

**C. Liabilities**

**Long-Term Debt**

**Business-Type Activities (Continued)**

Debt service requirements for business-type activities at December 31, 2020, 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
2021	\$ 61,000	\$ 3,570	\$ 9,000	\$ 2,929	\$ 59,000	\$ 52,563
2022	63,000	2,290	9,000	2,890	68,000	50,880
2023	46,000	958	9,000	2,800	69,000	49,065
2024	-	-	9,000	2,710	70,000	47,223
2025	-	-	9,000	2,620	74,000	45,315
2026-2030	-	-	48,000	11,720	391,000	196,300
2031-2035	-	-	50,000	9,250	444,000	141,086
2036-2040	-	-	53,000	6,720	504,000	78,307
2041-2045	-	-	55,000	4,000	334,000	13,408
2046-2049	-	-	38,839	1,190	-	-
Total	<u>\$ 170,000</u>	<u>\$ 6,818</u>	<u>\$ 289,839</u>	<u>\$ 46,829</u>	<u>\$ 2,013,000</u>	<u>\$ 674,147</u>

**Long-Term Liability**

**Governmental Activities**

Long-term liability activity for the governmental activities for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Police Inceptor Lease	\$ 20,399	\$ -	\$ 9,956	\$ 10,443	\$ 10,443
Case Wheel Loader Lease	-	72,344	-	72,344	18,086
Compensated Absences	25,149	15,822	19,381	21,590	8,773
Net Pension Liability	<u>176,884</u>	<u>23,277</u>	<u>-</u>	<u>200,161</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 222,432</u>	<u>\$ 111,443</u>	<u>\$ 29,337</u>	<u>\$ 304,538</u>	<u>\$ 37,302</u>

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

**II. Detailed Notes on All Funds**

**C. Liabilities**

**Long-Term Liability**

**Business-Type Activities (Continued)**

Long-term liability activity for the business-type activities for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Utility Revenue and Refunding Bonds, Series 2012A	\$ 229,000	\$ -	\$ 59,000	\$ 170,000	\$ 61,000
G.O. Utility Revenue Refunding Bonds, Series 2019B	2,013,000	-	-	2,013,000	59,000
\$299,070 Drinking Water State Revolving Funds (PFA) 2019	80,338	210,571	1,070	289,839	9,000
Compensated Absences	21,616	14,586	13,362	22,840	8,969
Net Pension Liability	<u>142,863</u>	<u>7,982</u>	<u>-</u>	<u>150,845</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,486,817</u>	<u>\$ 233,139</u>	<u>\$ 73,432</u>	<u>\$ 2,646,524</u>	<u>\$ 137,969</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, 2020, are summarized below by fund:

Governmental Funds	Taxes	Special Assessments	Loans Receivable	Total
General	\$ 16,910	\$ 320	\$ -	\$ 17,230
Long Term Capital Projects	1,168	-	-	1,168
Loan Pool/EDA Special Revenue	-	-	103,394	103,394
Small Cities Development Special Revenue	<u>-</u>	<u>-</u>	<u>21,819</u>	<u>21,819</u>
Total	<u>\$ 18,078</u>	<u>\$ 320</u>	<u>\$ 125,213</u>	<u>\$ 143,611</u>

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

## **III. Defined Benefit Pension Plans**

### **A. Plan Descriptions**

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

#### **1. General Employees Retirement Plan**

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

#### **2. 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.

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

The Twin Valley Fire Relief Association participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum 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, 2020, the plan covered 26 active firefighters and 8 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

### **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

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

**III. Defined Benefit Pension Plans**

**B. Benefits Provided**

**1. General Employees Plan Benefits (Continued)**

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.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be 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.

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

III. Defined Benefit Pension Plans (Continued)

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 2020 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, 2020, were \$20,386. 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 member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City of Twin Valley's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$20,845. 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 \$0 in fire state aid to the fund for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City of Twin Valley's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2020, were \$13,650. The City of Twin Valley's contributions were equal to the required contributions as set by state statute, if applicable.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City of Twin Valley reported a liability of \$221,832 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 \$6,815. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0037 percent at the end of the measurement period and .0038 percent for the beginning of the period.

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

III. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

City of Twin Valley	
Proportionate share of the net pension liability	\$ 221,832

State of Minnesota's proportionate share of the net pension liability associated with the City of Twin Valley	6,815
	6,815

Total	\$ 228,647
	228,647

There were no provision changes during the measurement period.

For the year ended December 31, 2020, the City of Twin Valley recognized pension expense of \$18,317 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Twin Valley recognized \$593 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2020, 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
Differences between expected and actual economic experience	\$ 2,080	\$ 839
Changes in actuarial assumptions	-	8,415
Net collective difference between projected and actual investment earnings	13,422	-
Changes in proportion	-	11,710
Contributions paid to PERA subsequent to the measurement date	10,592	-
Total	\$ 26,094	\$ 20,964

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

III. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

The \$10,592 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, 2021. 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>
2021	\$ (10,462)
2022	(3,201)
2023	2,843
2024	5,358
2025	-

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City of Twin Valley reported a liability of \$129,174 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0098 percent at the end of the measurement period and .0103 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. 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 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 \$4.5 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 December 31, 2020, the City of Twin Valley recognized pension expense of \$21,444 for its proportionate share of the Police and

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

III. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

Fire Plan's pension expense. The City of Twin Valley recognized \$933 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 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 \$882 for the year ended December 31, 2020 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	
Proportionate share of the net pension liability	\$ 129,174
State of Minnesota's proportionate share of the net pension liability associated with the City of Twin Valley	3,034
Total	<u>\$ 132,208</u>

There were no provision changes during the measurement period.

At December 31, 2020, 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	\$ 4,817	\$ 6,884
Changes in actuarial assumptions	48,589	43,153
Net collective difference between projected and actual investment earnings	18,876	-
Changes in proportion	2,132	11,128
Contributions paid to PERA subsequent to the measurement date	11,018	-
Total	<u>\$ 85,432</u>	<u>\$ 61,165</u>

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

**III. Defined Benefit Pension Plans**

**D. Pension Costs**

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

The \$11,018 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, 2021. 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:
2021	\$ (2,033)
2022	5,246
2023	5,598
2024	5,237
2025	(799)

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

At December 31, 2020, the City of Twin Valley reported a net pension asset of \$150,106 for the Volunteer Firefighter Fund. The net pension liability asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability 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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/2019	\$ 214,855	\$ 364,015	\$ (149,160)
Changes for the Year:			
Service Cost	12,865	-	12,865
Interest on Pension Liability	12,658	-	12,658
Actuarial Experience (Gains)/Losses	31,613	-	31,613
Projected Investment Earnings	-	21,841	(21,841)
Contributions (State)	-	13,650	(13,650)
Asset (Gain)/Loss	-	23,512	(23,512)
Benefit Payouts	(33,500)	(33,500)	-
Administrative Costs	-	(921)	921
Net Changes	\$ 23,636	\$ 24,582	\$ (946)
Balance End of Year 12/31/2020	\$ 238,491	\$ 388,597	\$ (150,106)

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2020, the City of Twin Valley recognized pension expense of \$6,224.

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

III. Defined Benefit Pension Plans

D. Pension Costs

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

At December 31, 2020, the City of Twin Valley reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial experience gains/losses	\$ 25,290	\$ 35,239
Difference between projected and actual investment earnings	-	32,648
Total	\$ 25,290	\$ 67,887

\$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, 2021. 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:
2021	\$ (17,074)
2022	(12,171)
2023	(14,969)
2024	1,617
2025	-

E. Total Pension Expense

The total pension expense for all plans recognized by the City of Twin Valley for the year ended December 31, 2020, was \$48,393.

F. Actuarial Assumptions

General Fund and Police and Fire Fund

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>General Employees Plan</u>	<u>Police &amp; Fire Plan</u>
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

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

**III. Defined Benefit Pension Plans**

**F. Actuarial Assumptions**

General Fund and Police and Fire Fund (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study 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 four-year experience study used for the Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan is based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for this plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuation if approved by the Legislature.

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

**1. General Employees Fund**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The 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.

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

**III. Defined Benefit Pension Plans**

**F. Actuarial Assumptions**

**1. General Employees Fund**

**Changes in Actuarial Assumptions (Continued)**

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Changes in Plan Provisions**

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

**2. Police and Fire Fund**

**Changes in Actuarial Assumptions**

- The morality projection scale was changed from MP-2018 to MP-2019.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**General Fund and 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	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
	<u>100.0%</u>	

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

III. Defined Benefit Pension Plans

F. Actuarial Assumptions (Continued)

3. Statewide Volunteer Firefighter (SVF) Plan

The total pension liability at December 31, 2020, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2020.

G. Discount Rates

1. General Fund and Police and Fire Fund

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

2. 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's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## III. Defined Benefit Pension Plans

### H. Pension Liability Sensitivity (Continued)

Sensitivity Analysis <i>Net Pension Liability (Asset) at Different Discount Rates</i>						
	General Employees Fund		Police and Fire Fund		Firefighter Retirement Plan	
<b>1% Lower</b>	6.50%	\$ 355,520	6.50%	\$ 257,463	5.00%	\$ (142,191)
<b>Current Discount Rate</b>	7.50%	\$ 221,832	7.50%	\$ 129,174	6.00%	\$ (150,106)
<b>1% Higher</b>	8.50%	\$ 111,550	8.50%	\$ 23,038	7.00%	\$ (157,807)

### I. Plan Investments - Statewide Volunteer Firefighter Plan

#### Investment Policy

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 investment 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.

#### Asset Allocation

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Unallocated Cash	5%	0.00%
	100%	

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

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

**III. Defined Benefit Pension Plans**

**I. Plan Investments - Statewide Volunteer Firefighter Plan**

Asset Allocation (Continued)

The SBI made no significant changes to their investment policy during fiscal year 2020 for the Volunteer Firefighter Fund.

**J. 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. At December 31, 2020, the outstanding balance on the Assisted Living Facility Bonds is \$88,610.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 158,862	\$ 158,862	\$ 149,347	\$ (9,515)
Special assessments	\$ -	\$ -	\$ 1,670	\$ 1,670
Licenses and permits	\$ 3,100	\$ 3,100	\$ 2,380	\$ (720)
<b>Intergovernmental</b>				
Shared Revenues				
PERA Rate Reimbursement	\$ 912	\$ 912	\$ -	\$ (912)
Police Aid	17,500	17,500	18,400	900
Local Government Aid	332,321	332,321	332,778	457
Market Value Credit	100	100	357	257
State Grants				
Minnesota Department/Board of				
Natural Resources	33,475	33,475	45,456	11,981
Public Safety	7,500	7,500	2,610	(4,890)
Secretary of State	-	-	1,335	1,335
Trial Courts	2,000	2,000	1,815	(185)
Transportation	2,000	2,000	1,947	(53)
Peace Officer Standards and Training	6,000	6,000	3,764	(2,236)
Federal Grants				
Department of the Treasury	-	-	60,046	60,046
Local Grants				
NW MN Foundation	-	-	10,000	10,000
<b>Total Intergovernmental</b>	<b>\$ 401,808</b>	<b>\$ 401,808</b>	<b>\$ 478,508</b>	<b>\$ 76,700</b>
<b>Charges for services</b>				
General government	\$ 22,000	\$ 22,000	\$ 16,791	\$ (5,209)
Public safety	28,263	28,263	24,814	(3,449)
Culture and recreation	1,200	1,200	1,974	774
<b>Total Charges for Services</b>	<b>\$ 51,463</b>	<b>\$ 51,463</b>	<b>\$ 43,579</b>	<b>\$ (7,884)</b>
<b>Gifts and contributions</b>				
Public safety	6,250	6,250	3,468	(2,782)
Culture and recreation	900	900	25,400	24,500
<b>Total Gifts and Contributions</b>	<b>\$ 7,150</b>	<b>\$ 7,150</b>	<b>\$ 28,868</b>	<b>\$ 21,718</b>
<b>Investment earnings</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 4,896</b>	<b>\$ 1,896</b>

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

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<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>Revenues (continued)</b>				
<b>Miscellaneous</b>				
General government	\$ 54,920	\$ 54,920	\$ 14,657	\$ (40,263)
Culture and recreation	3,500	3,500	200	(3,300)
Rental income	28,200	28,200	48,300	20,100
<b>Total Miscellaneous</b>	<b>\$ 86,620</b>	<b>\$ 86,620</b>	<b>\$ 63,157</b>	<b>\$ (23,463)</b>
<b>Total Revenues</b>	<b>\$ 712,003</b>	<b>\$ 712,003</b>	<b>\$ 772,405</b>	<b>\$ 60,402</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 11,230	\$ 11,230	\$ 12,697	\$ (1,467)
Finance/office staff	36,560	36,560	34,119	2,441
General administration	58,100	58,100	56,127	1,973
Assessor	3,200	3,200	3,150	50
Elections	2,500	2,500	4,490	(1,990)
Professional services	3,350	3,350	3,156	194
Legal	10,000	10,000	6,893	3,107
Airport	1,350	1,350	2,687	(1,337)
Buildings and grounds	21,325	21,325	27,122	(5,797)
Other general government	1,800	1,800	5,301	(3,501)
<b>Total general government</b>	<b>\$ 149,415</b>	<b>\$ 149,415</b>	<b>\$ 155,742</b>	<b>\$ (6,327)</b>
<b>Public safety</b>				
Police	\$ 176,815	\$ 176,815	\$ 191,061	\$ (14,246)
Fire	35,300	35,300	35,158	142
Rescue services	16,575	16,575	11,985	4,590
Other public safety	650	650	62	588
<b>Total public safety</b>	<b>\$ 229,340</b>	<b>\$ 229,340</b>	<b>\$ 238,266</b>	<b>\$ (8,926)</b>
<b>Highways and streets</b>				
Streets and alleys	\$ 83,870	\$ 83,870	\$ 111,457	\$ (27,587)
Snow and ice removal	13,300	13,300	9,886	3,414
Street lighting	25,500	25,500	29,917	(4,417)
<b>Total highways and streets</b>	<b>\$ 122,670</b>	<b>\$ 122,670</b>	<b>\$ 151,260</b>	<b>\$ (28,590)</b>

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

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<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	\$ 28,874	\$ 28,874	\$ 11,910	\$ 16,964
Parks	41,150	41,150	20,181	20,969
Snowmobile and ski trails	31,475	31,475	45,456	(13,981)
Wimmer Cabins	17,425	17,425	14,016	3,409
Other culture and recreation	1,700	1,700	1,345	355
<b>Total culture and recreation</b>	<b>\$ 120,624</b>	<b>\$ 120,624</b>	<b>\$ 92,908</b>	<b>\$ 27,716</b>
<b>Conservation of natural resources</b>				
Weed and pest control	\$ 3,500	\$ 3,500	\$ 5,486	\$ (1,986)
<b>Economic development</b>				
Economic development	\$ -	\$ -	\$ 31,000	\$ (31,000)
<b>Debt service</b>				
Principal retirement	\$ 10,492	\$ 10,492	\$ 9,956	\$ 536
Interest	1,462	1,462	998	464
<b>Total debt service</b>	<b>\$ 11,954</b>	<b>\$ 11,954</b>	<b>\$ 10,954</b>	<b>\$ 1,000</b>
<b>Capital outlay</b>				
Public safety	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Highways and streets	50,000	50,000	94,656	(44,656)
Culture and recreation	-	-	114,578	(114,578)
<b>Total capital outlay</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 209,234</b>	<b>\$ (149,234)</b>
<b>Total Expenditures</b>	<b>\$ 697,503</b>	<b>\$ 697,503</b>	<b>\$ 894,850</b>	<b>\$ (197,347)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 14,500</b>	<b>\$ 14,500</b>	<b>\$ (122,445)</b>	<b>\$ (136,945)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 26,000	\$ 26,000	\$ 28,000	\$ 2,000
Transfers out	-	-	(5,000)	(5,000)
Proceeds from loan	-	-	72,344	72,344
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 26,000</b>	<b>\$ 26,000</b>	<b>\$ 95,344</b>	<b>\$ 69,344</b>
<b>Net Change in Fund Balance</b>	<b>\$ 40,500</b>	<b>\$ 40,500</b>	<b>\$ (27,101)</b>	<b>\$ (67,601)</b>
<b>Fund Balance - January 1</b>	<b>651,507</b>	<b>651,507</b>	<b>651,507</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 692,007</b>	<b>\$ 692,007</b>	<b>\$ 624,406</b>	<b>\$ (67,601)</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, 2020**

**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, 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, 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, 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, 2020**

**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, 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, 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, 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, 2020**

	<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	\$ 12,865	\$ -	\$ 12,865
Investment earnings	12,658	-	12,658
Actuarial experience (gains)/losses	31,613	-	31,613
Projected investment earnings	-	21,841	(21,841)
Contributions (state)	-	13,650	(13,650)
Asset (gain)/loss	-	23,512	(23,512)
Benefit payments	(33,500)	(33,500)	-
Administrative costs	-	(921)	921
<b>Net Change</b>	<b>\$ 23,636</b>	<b>\$ 24,582</b>	<b>\$ (946)</b>
<b>Balance - January 1</b>	<b>214,855</b>	<b>365,015</b>	<b>(149,160)</b>
<b>Balance - December 31</b>	<b>\$ 238,491</b>	<b>\$ 389,597</b>	<b>\$ (150,106)</b>
<b>Plan Fiduciary Net Position</b>			
Fire state aid		\$ 10,363	
Fire supplemental aid		2,287	
Supplemental benefit reimbursement		1,000	
Net investment earnings		45,353	
Administrative expenses		(921)	
Benefit payments		(33,500)	
<b>Net Change in Fiduciary Net Position</b>		<b>\$ 24,582</b>	
<b>Fiduciary Net Position - January 1</b>		<b>365,015</b>	
<b>Fiduciary Net Position - December 31</b>		<b>\$ 389,597</b>	
<b>Association's Net Pension Liability (Asset) - December 31</b>		<b>\$ (150,106)</b>	
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>		<b>162.9%</b>	

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

**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 appropriated 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, 2020:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Mayor/council	\$ 12,697	\$ 11,230	\$ (1,467)
Elections	4,490	2,500	(1,990)
Airport	2,687	1,350	(1,337)
Buildings and grounds	27,122	21,325	(5,797)
Other general government	5,301	1,800	(3,501)
Public safety			
Police	191,061	176,815	(14,246)
Highways and streets			
Streets and alleys	111,457	83,870	(27,587)
Street lighting	29,917	25,500	(4,417)
Culture and recreation			
Snowmobile and ski trails	45,456	31,475	(13,981)
Conservation of natural resources			
Weed and pest control	5,486	3,500	(1,986)
Economic development			
Economic development	31,000	-	(31,000)
Capital outlay			
Highways and streets	94,656	50,000	(44,656)
Culture and recreation	114,578	-	(114,578)

### III. Net Pension Liability

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the City Council.

#### **General Employees Fund**

##### 2020 Changes

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

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

##### 2019 Changes

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

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

###### *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.

III. Net Pension Liability  
**General Employees Fund** (Continued)

2018 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2017 Changes

*Changes in Actuarial Assumptions*

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

2017 Changes (Continued)

*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.

### III. Net Pension Liability **General Employees Fund**

#### 2016 Changes

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

- 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.

##### *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.

### **Police and Fire Fund**

#### 2020 Changes

##### *Changes in Actuarial Assumptions*

- The morality projection scale was changed from MP-2018 to MP-2019.

##### *Changes in Plan Provisions*

- There have been no changes since the prior valuation.

#### 2019 Changes

##### *Changes in Actuarial Assumptions*

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

##### *Changes in Plan Provisions*

- 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.

### III. Net Pension Liability **Police and Fire Fund**

#### 2018 Changes

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

- 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.
- 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.

III. Net Pension Liability  
**Police and Fire Fund** (Continued)

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 committed to 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 committed to economic development.

Capital Projects Funds

The Long-Term Capital Projects Fund is used to account for and report financial resources committed to capital improvements. 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, 2020**

	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	\$ 88,830	\$ 93,207	\$ 182,037
Investments	19,000	-	19,000
Taxes receivable			
Current	-	471	471
Prior	-	1,168	1,168
Loans receivable	125,213	-	125,213
<b>Total Assets</b>	<b>\$ 233,043</b>	<b>\$ 94,846</b>	<b>\$ 327,889</b>
<b><u>Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Taxes	\$ -	\$ 1,168	\$ 1,168
Loans	125,213	-	125,213
<b>Total Deferred Inflows of Resources</b>	<b>\$ 125,213</b>	<b>\$ 1,168</b>	<b>\$ 126,381</b>
<b>Fund Balances</b>			
Restricted for economic development	\$ 107,830	\$ -	\$ 107,830
Assigned to capital outlay	-	93,678	93,678
<b>Total Fund Balances</b>	<b>\$ 107,830</b>	<b>\$ 93,678</b>	<b>\$ 201,508</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 233,043</b>	<b>\$ 94,846</b>	<b>\$ 327,889</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, 2020**

	Special Revenue Funds (Statement 4)	Capital Projects Funds (Statement 6)	Total Nonmajor Governmental Funds (Exhibit 5)
<b>Revenues</b>			
Property taxes	\$ -	\$ 9,883	\$ 9,883
Investment earnings	282	-	282
Miscellaneous	8,525	-	8,525
<b>Total Revenues</b>	<b>\$ 8,807</b>	<b>\$ 9,883</b>	<b>\$ 18,690</b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	3,300	-	3,300
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 5,507</b>	<b>\$ 9,883</b>	<b>\$ 15,390</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	5,000	5,000
<b>Net Change in Fund Balance</b>	<b>\$ 5,507</b>	<b>\$ 14,883</b>	<b>\$ 20,390</b>
<b>Fund Balance - January 1</b>	<b>102,323</b>	<b>78,795</b>	<b>181,118</b>
<b>Fund Balance - December 31</b>	<b>\$ 107,830</b>	<b>\$ 93,678</b>	<b>\$ 201,508</b>

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

**Statement 3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2020**

	<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	\$ 19,343	\$ 69,487	\$ 88,830
Investments	19,000	-	19,000
Loans receivable	<u>103,394</u>	<u>21,819</u>	<u>125,213</u>
<b>Total Assets</b>	<b><u>\$ 141,737</u></b>	<b><u>\$ 91,306</u></b>	<b><u>\$ 233,043</u></b>
<b><u>Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Loans	\$ 103,394	\$ 21,819	\$ 125,213
<b>Fund Balances</b>			
Restricted for economic development	<u>38,343</u>	<u>69,487</u>	<u>107,830</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 141,737</u></b>	<b><u>\$ 91,306</u></b>	<b><u>\$ 233,043</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, 2020**

	<u>Loan Pool/EDA</u>	<u>Small Cities Development Grant</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Investment earnings	\$ 282	\$ -	\$ 282
Miscellaneous	8,525	-	8,525
<b>Total Revenues</b>	<b>\$ 8,807</b>	<b>\$ -</b>	<b>\$ 8,807</b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	3,300	-	3,300
<b>Net Change in Fund Balance</b>	<b>\$ 5,507</b>	<b>\$ -</b>	<b>\$ 5,507</b>
<b>Fund Balance - January 1</b>	<b>32,836</b>	<b>69,487</b>	<b>102,323</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 38,343</u></b>	<b><u>\$ 69,487</u></b>	<b><u>\$ 107,830</u></b>

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

**Statement 5**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2020**

	<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	\$ 80,233	\$ 12,974	\$ 93,207
Taxes receivable			
Current	471	-	471
Prior	1,168	-	1,168
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 81,872</u></b>	<b><u>\$ 12,974</u></b>	<b><u>\$ 94,846</u></b>
 <b><u>Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 1,168	\$ -	\$ 1,168
 <b>Fund Balances</b>			
Assigned to capital outlay	80,704	12,974	93,678
	<hr/>	<hr/>	<hr/>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 81,872</u></b>	<b><u>\$ 12,974</u></b>	<b><u>\$ 94,846</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, 2020**

	<u>Long-Term Capital Projects</u>	<u>Lot Incentive Program</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Property taxes	\$ 9,883	\$ -	\$ 9,883
<b>Other Financing Sources (Uses)</b>			
Transfers in	5,000	-	5,000
<b>Net Change in Fund Balance</b>	<b>\$ 14,883</b>	<b>\$ -</b>	<b>\$ 14,883</b>
<b>Fund Balance - January 1</b>	<b>65,821</b>	<b>12,974</b>	<b>78,795</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 80,704</u></b>	<b><u>\$ 12,974</u></b>	<b><u>\$ 93,678</u></b>

## **OTHER SCHEDULES**

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

**Schedule 5**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Shared Revenue**

**State**

Local government aid	\$ 332,778
Market value credit	357
Police state aid	<u>18,400</u>

<b>Total Shared Revenue</b>	<b><u>\$ 351,535</u></b>
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**Grants**

**Local**

NW MN Foundation	<u>\$ 10,000</u>
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**State**

**Minnesota Department/Board of**

Natural Resources	\$ 45,456
Peace Officer Standards and Training	3,764
Public Safety	2,610
Secretary of State	1,335
Transportation	1,947
Trial Courts	<u>1,815</u>

<b>Total State</b>	<b><u>\$ 56,927</u></b>
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**Federal**

Department of the Treasury	\$ 60,046
Environmental Protection Agency	<u>842,282</u>

<b>Total Federal</b>	<b><u>\$ 902,328</u></b>
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<b>Total Grants</b>	<b><u>\$ 969,255</u></b>
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<b>Total Intergovernmental Revenue</b>	<b><u><u>\$ 1,320,790</u></u></b>
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**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**Schedule 6**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grant Award Number</b>	<b>Expenditures</b>
<b>U.S. Department of the Treasury</b>			
Passed Through Minnesota Department of Revenue Coronavirus Relief Funds	21.019	N/A	\$ 60,046
<b>U.S. Environmental Protection Agency</b>			
Passed Through Minnesota Public Facilities Authority Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	1,052,853
<b>Total Federal Awards</b>			<b><u>\$ 1,112,899</u></b>
The City of Twin Valley did not pass any federal awards through to subrecipients during the year ended December 31, 2020.			
Totals by Cluster			\$ 1,052,853
Total Expenditures for Drinking Water State Revolving Fund Cluster			

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**I. Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by City of Twin Valley. The City's reporting entity is defined in Note I to the financial statements.

**II. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Twin Valley under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Twin Valley, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Twin Valley.

**III. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, in the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Twin Valley has elected to not use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

**IV. Subrecipients**

During 2020, the City did not pass any federal funds through to subrecipients.

**V. Reconciliation to Schedule of Intergovernmental Revenue**

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 902,328
Plus:	
Amounts issued in MN Public Facilities Authority Loans	<u>210,571</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,112,899</u></u>

**VI. Outstanding Loan Balances**

Loan balances outstanding:

MN Public Facilities Authority Loans	<u><u>\$ 289,839</u></u>
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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)

**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***

Independent Auditor's Report

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, 2020, 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 26, 2021.

**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 deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

## **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.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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's noncompliance with the above referenced provisions.

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

The City's response to the finding identified in our audit has been included in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the result of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hoffman, Philipp, & Martell, PLLC  
April 26, 2021

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



Hoffman, Philipp, & Martell, PLLC

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

City Council  
City of Twin Valley

**Report on Compliance for Each Major Federal Program**

We have audited the City of Twin Valley's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2020. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Twin Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the City of Twin Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

### **Report on Internal Control Over Compliance**

Management of the City of Twin Valley are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of the internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. No deficiencies in internal control over compliance that we consider to be a material weakness were found.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Martell, PLLC  
April 26, 2021

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
- B. **Financial Statements**
- Internal control over financial reporting:
- Material weaknesses identified? **No**
  - Significant deficiencies identified? **Yes**
- C. Noncompliance material to the financial statements noted? **No**
- D. **Federal Awards**
- Internal control over major programs:
- Material weaknesses identified? **No**
  - Significant deficiencies identified? **No**
- E. Type of report the auditor issued on compliance for major federal programs: **Unmodified**
- F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**
- G. The major federal program was:
- Capitalization Grants for Drinking Water State Revolving Funds**                      **CFDA #66.468**
- H. The threshold for distinguishing between Types A and B programs was \$750,000.
- I. The City of Twin Valley qualified as a low-risk auditee? **No**

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

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**Finding Number: 2020-001**

**Prior Audits Finding Numbers: 2019-001, 2005-001**

**Finding Title: Segregation of Duties**

**Criteria:** Management is responsible for establishing and maintaining internal control. This responsibility includes the internal controls over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

**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. Generally, one person is responsible for billing, collecting, depositing, and recording receipts as well as reconciling bank accounts.

**Context:** This is not unusual in operations the size of the City, where, because of staffing limitations, it is impractical to achieve a desirable level of segregation of duties. Management has determined that, given limited resources, it is not feasible to achieve the desired level of segregation of duties.

**Effect:** Without adequate segregation of duties, opportunities for errors and irregularities or fraudulent activities to occur are created and may not be detected in a timely manner.

**Cause:** Due to limited economic resources, the City informed us that it is impractical to hire enough staff to achieve a desirable level of segregation of duties in every department.

**Recommendation:** Management should continually be aware that segregation of duties is not adequate from an internal control point of view. We recommend the City Council be aware that limited staffing causes inherent risks in safeguarding the City's assets and the proper reporting of financial activity. We recommend the City Council continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

**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 transactions.*

**Finding Number: 2020-002**

**Prior Audits Finding Numbers: 2019-002, 2007-001**

**Finding Title: Internal Controls**

**Criteria:** The financial statements are the responsibility of the City of Twin Valley'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

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

with applicable laws and regulations. These controls must include a process for monitoring 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.

**Context:** Although the City of Twin Valley has a system of internal control in spite of limited staff, they do not have written documentation of the process for monitoring those controls.

**Effect:** Without a documented process for monitoring internal controls, the City cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations.

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

**Recommendation:** We recommend the City formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

***City's Response:** 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.*

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**III. OTHER FINDINGS AND RESPONSES**

None.



## CITY OF TWIN VALLEY

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### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2020

**Finding Number: 2020-001**

**Prior Audits Finding Numbers: 2005-001, 2019-001**

**Finding Title: Segregation of Duties**

**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 issue. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

**Anticipated Completion Date:** *Ongoing. The City Council and management are aware of the limited ability to segregate duties to an optimal level; however, oversight procedures have been implemented to provide compensating controls and continue to be improved whenever possible.*

**Finding Number: 2020-002**

**Prior Audits Finding Numbers: 2007-001, 2019-002**

**Finding Title: Internal Controls**

**Name of Contact Person Responsible for Corrective Action:** Rachel Johnson, City Clerk/Treasurer

**Corrective Action Planned:** The City will formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

**Anticipated Completion Date:** *Ongoing. The City strives to remedy this issue at every opportunity, however, at this time, this issue is expected to continue indefinitely.*



## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2020

### **Prior Finding Numbers: 2005-001, 2019-001**

#### **Finding Title: Segregation of Duties**

**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.

### **Prior Finding Numbers: 2007-001, 2019-002**

#### **Finding Title: Internal Controls**

**Summary of 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.

**Summary of Corrective Action:** The City has begun to formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

**Status:** Not fully corrected.