

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

YEAR ENDED DECEMBER 31, 2023



Hoffman, Philipp, & Martell, PLLC

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

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

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## **INTRODUCTORY SECTION**

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

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2023**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
<b>Elected</b>		
Michael Bolton	Mayor	December 31, 2024
Tracy Christianson	Council Member	December 31, 2024
Mark Askelon	Council Member	December 31, 2024
Paul Bekkerus	Councilmember	December 31, 2024
Mike Lampton	Councilmember	December 31, 2026
<b>Appointed</b>		
Rachel L. Johnson	Clerk/Treasurer	Indefinite

## **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

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

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

##### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events that raise substantial doubt about the City of Twin Valley's ability to continue as a going concern for twelve months beyond

the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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



### ***Supplementary Information***

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

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2024, on our consideration of the City of Twin Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Twin Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Twin Valley's internal control over financial reporting and compliance.

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

Hoffman, Philipp, & Martell, PLLC  
May 6, 2024



# 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, 2023. 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 \$1,781,624 of which \$738,987 is the net investment in capital assets, \$108,953 is restricted for economic development, and \$933,684 is unrestricted. The total net position of governmental activities increased by \$771 for the year ended December 31, 2023. This is attributed primarily due to a decrease in the net pension liability.

The total net position of business-type activities is \$4,430,222 of which \$2,156,456 is the net investment in capital assets, \$561,656 is restricted for debt service, and \$1,712,110 is unrestricted. The total net position of business-type activities decreased by \$69,709 in 2023, primarily due to operating losses in the Liquor, Sewer and Water Enterprise Funds.

At the close of 2023, the City's governmental funds reported combined ending fund balances of \$938,753, a decrease of \$23,616 from the prior year. Of the total fund balance amount, \$108,953 is legally or contractually restricted for economic development, \$776,117 is assigned for specific purposes, and \$53,683 is the unassigned fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

## Notes to the Financial Statements

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$6,211,846 at the close of 2023. Approximately 47 percent of the City's net position reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 11 percent of the City's net position is restricted for specific purposes, and 42 percent of the City's net position is unrestricted. The unrestricted net position amount of \$2,645,794 as of December 31, 2023, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position decreased from last year. Total assets decreased by \$184,885 from the prior year, primarily due to the depreciation of capital assets. Total liabilities decreased by \$579,754 from the prior year, primarily due to repayment of long-term debt and a decrease in the net pension liability. Deferred outflows of resources and deferred inflows of resources increased by a net amount of \$234,247 related to pension expenses. This resulted in a decreased net position of \$68,938 from the prior year.

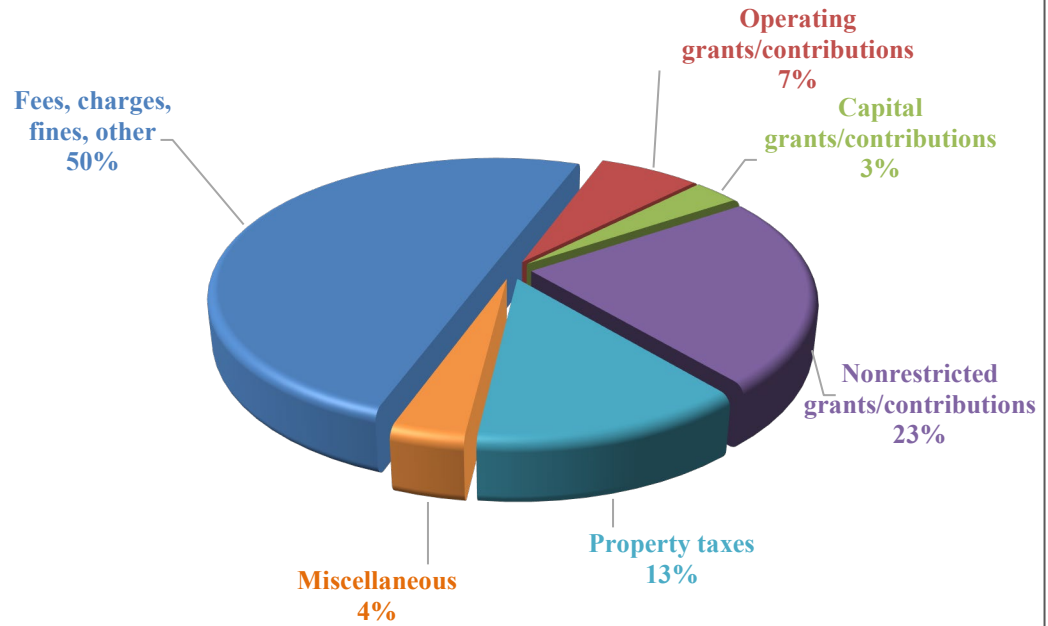
## NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,251,471	\$ 1,267,790	\$ 2,486,265	\$ 2,589,690	\$ 3,737,736	\$ 3,857,480
Capital assets	757,073	680,080	4,236,456	4,378,590	4,993,529	5,058,670
Total assets	\$ 2,008,544	\$ 1,947,870	\$ 6,722,721	\$ 6,968,280	\$ 8,731,265	\$ 8,916,150
Deferred Outflows - pensions	\$ 463,978	\$ 564,137	\$ 51,775	\$ 66,396	\$ 515,753	\$ 630,533
Other liabilities	\$ 32,942	\$ 38,129	\$ 35,605	\$ 97,901	\$ 68,547	\$ 136,030
Long-term liabilities outstanding	331,147	669,044	2,258,538	2,432,912	2,589,685	3,101,956
Total liabilities	\$ 364,089	\$ 707,173	\$ 2,294,143	\$ 2,530,813	\$ 2,658,232	\$ 3,237,986
Deferred Inflows - pensions	\$ 326,809	\$ 23,981	\$ 50,131	\$ 3,932	\$ 376,940	\$ 27,913
Net position						
Net investment in capital assets	\$ 738,987	\$ 643,908	\$ 2,156,456	\$ 2,174,590	\$ 2,895,443	\$ 2,818,498
Restricted	108,953	107,846	561,656	597,420	670,609	705,266
Unrestricted amounts	933,684	1,029,099	1,712,110	1,727,921	2,645,794	2,757,020
Total net position	\$ 1,781,624	\$ 1,780,853	\$ 4,430,222	\$ 4,499,931	\$ 6,211,846	\$ 6,280,784

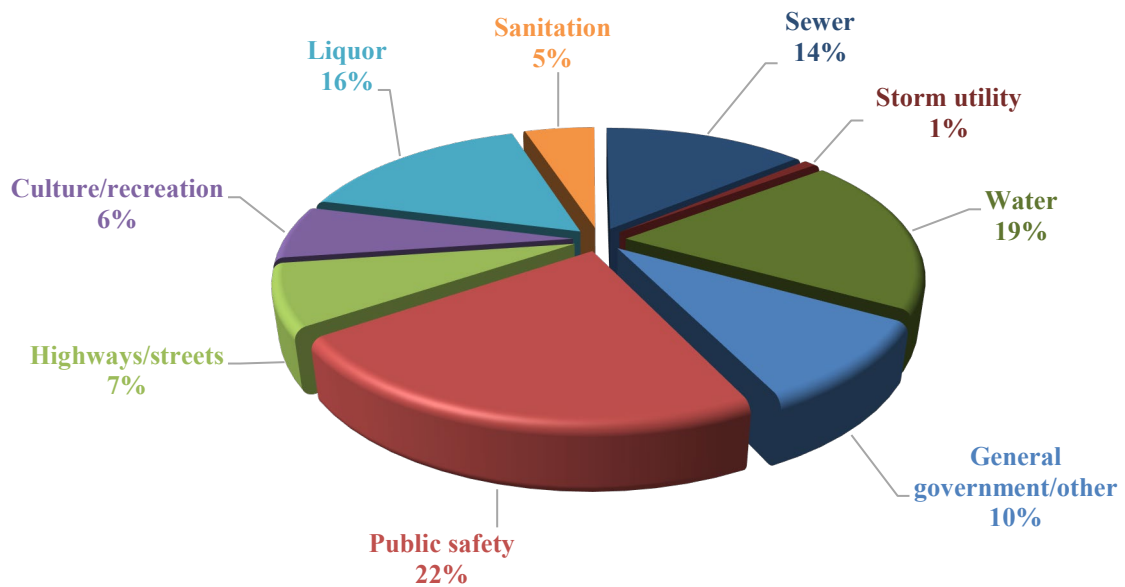
## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 86,946	\$ 129,045	\$ 713,642	\$ 748,887	\$ 800,588	\$ 877,932
Operating grants and contributions	109,847	126,418	-	-	109,847	126,418
Capital grants and contributions	2,155	5,634	48,160	26,901	50,315	32,535
General Revenues and Transfers						
Property taxes	209,814	192,294	-	-	209,814	192,294
Grants and contributions not restricted to specific programs	347,091	342,547	22,932	23,638	370,023	366,185
Investment earnings	8,032	1,565	1,436	183	9,468	1,748
Miscellaneous	57,150	56,330	433	1,873	57,583	58,203
Transfers	(53,225)	(63,276)	53,225	63,276	-	-
Total revenues	\$ 767,810	\$ 790,557	\$ 839,828	\$ 864,758	\$ 1,607,638	\$ 1,655,315
Expenses						
General government	\$ 157,883	\$ 157,254	\$ -	\$ -	\$ 157,883	\$ 157,254
Public safety	369,059	273,183	-	-	369,059	273,183
Highways and streets	121,492	110,853	-	-	121,492	110,853
Culture and recreation	105,712	69,711	-	-	105,712	69,711
Conservation of natural resources	2,821	1,876	-	-	2,821	1,876
Economic development	10,072	23,791	-	-	10,072	23,791
Liquor	-	-	279,423	284,435	279,423	284,435
Sanitation	-	-	79,251	76,298	79,251	76,298
Sewer	-	-	227,491	204,170	227,491	204,170
Storm utility	-	-	13,322	13,703	13,322	13,703
Water	-	-	310,050	277,087	310,050	277,087
Total expenses	\$ 767,039	\$ 636,668	\$ 909,537	\$ 855,693	\$ 1,676,576	\$ 1,492,361
Increase (decrease) in net position	\$ 771	\$ 153,889	\$ (69,709)	\$ 9,065	\$ (68,938)	\$ 162,954
Net position, January 1	1,780,853	1,626,964	4,499,931	4,490,866	6,280,784	6,117,830
Net position, December 31	\$ 1,781,624	\$ 1,780,853	\$ 4,430,222	\$ 4,499,931	\$ 6,211,846	\$ 6,280,784

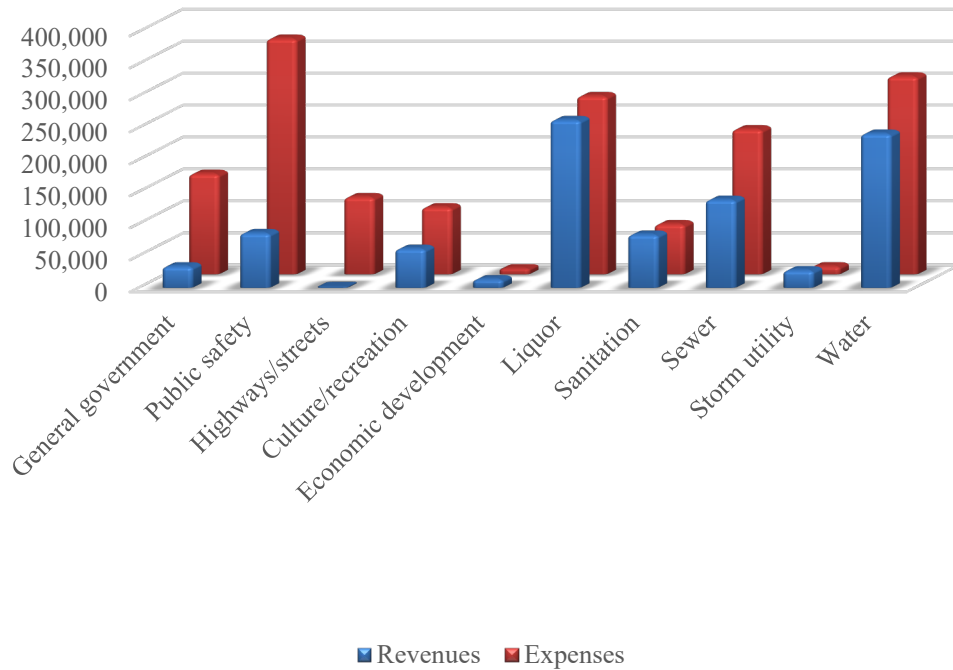
## Revenues by Source



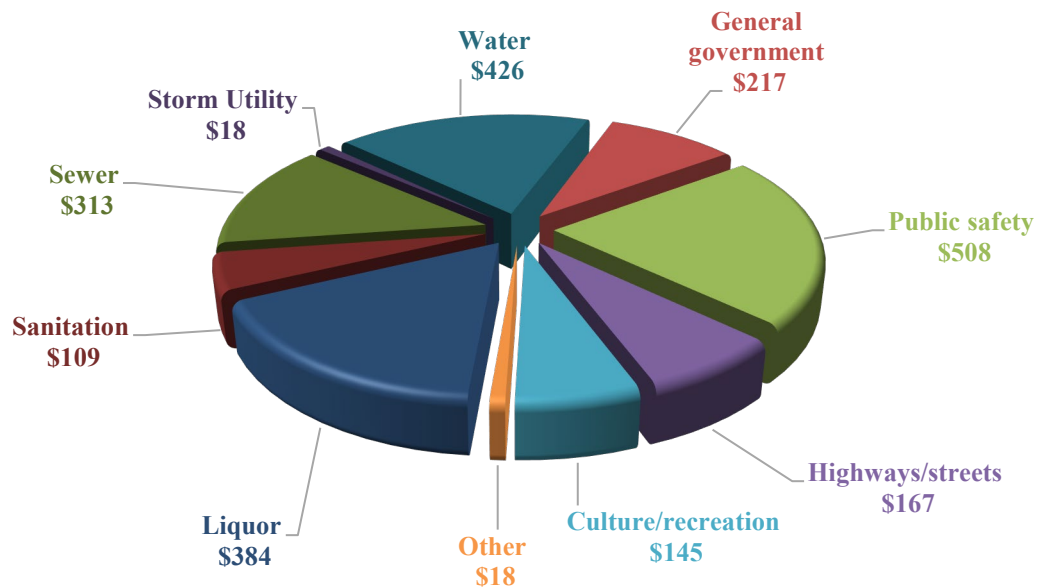
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 727 Population as of 2023



## **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 2023, the City's governmental funds reported combined ending fund balances of \$938,753. Of this amount, 12 percent constitutes legally or contractually restricted fund balance, 83 percent constitutes specifically assigned fund balance, and 5 percent constitutes the unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$748,732. The assigned fund balance was \$695,049, and the unassigned fund balance was \$53,683. 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 2023. Total fund balance represents approximately 106 percent of total General Fund expenditures.

In 2023, the fund balance amount in the General Fund decreased by \$7,091, due to transfers out to the Long-Term Capital Projects Fund and the Water Enterprise Fund.

### **Proprietary Funds**

The Liquor Enterprise Fund reported an operating loss in 2023 of \$11,414, primarily due to expenses including depreciation in excess of revenues.

The Sanitation Enterprise Fund reported an operating income in 2023 of \$4,753, indicating that the fund is collecting fees at a rate consistent with costs.

The Sewer Enterprise Fund reported an operating loss in 2023 of \$86,051, indicating that it is not collecting fees for services at a rate above costs.

The Water Enterprise Fund reported an operating loss in 2023 of \$63,611, indicating that the fund is not collecting fees at a rate above costs.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budget as approved for 2023.

Actual revenues were more than overall budgeted revenues by \$47,904, with the largest variance in intergovernmental revenue. Actual expenditures were less than overall final budgeted expenditures by \$64,010, with the largest variance in public safety.



## 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, 2023, amounted to \$4,993,529 (net of accumulated depreciation). The total decrease in the City's investment in capital assets for the current fiscal year was approximately one percent. This decrease was primarily due to depreciation of capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 56,839	\$ 56,839	\$ 46,816	\$ 46,816	\$ 103,655	\$ 103,655
Construction in progress	-	-	88,292	-	88,292	-
Infrastructure	208,752	167,149	3,914,370	4,120,046	4,123,122	4,287,195
Buildings and improvements	235,057	243,879	137,441	157,216	372,498	401,095
Land improvements	1,800	2,400	44,052	47,199	45,852	49,599
Machinery and equipment	254,625	209,813	5,485	7,313	260,110	217,126
Total capital assets	<u>\$ 757,073</u>	<u>\$ 680,080</u>	<u>\$ 4,236,456</u>	<u>\$ 4,378,590</u>	<u>\$ 4,993,529</u>	<u>\$ 5,058,670</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 \$2,098,086 which is backed by the full faith and credit of the government.

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Case Loader Capital Lease	\$ 18,086	\$ 36,172	\$ -	\$ -	\$ 18,086	\$ 36,172
Minnesota PFA						
Drinking Water State Revolving Funds	-	-	263,000	272,000	263,000	272,000
G.O. Utility Revenue and Refunding Bonds, Series 2012A	-	-	-	46,000	-	46,000
G.O. Utility Revenue and Refunding Bonds, Series 2019B	-	-	1,817,000	1,886,000	1,817,000	1,886,000
	<u>\$ 18,086</u>	<u>\$ 36,172</u>	<u>\$ 2,080,000</u>	<u>\$ 2,204,000</u>	<u>\$ 2,098,086</u>	<u>\$ 2,240,172</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 2023, 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.

## **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 3.3 percent as of December 31, 2023. This is lower than the statewide rate of 3.5 percent and higher than the national average rate of 2.6 percent.
- Twin Valley's 2023 population per the League of Minnesota Cities was 727, an increase of 4 since the 2020 census of 723.
- On December 11, 2023, the City of Twin Valley set its 2024 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, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 476,203	\$ 1,715,999	\$ 2,192,202
Investments	467,156	76,122	543,278
Taxes receivable			
Current	4,525	474	4,999
Prior	29,534	3,337	32,871
Special assessments receivable			
Current	-	3,350	3,350
Prior	265	21,957	22,222
Accounts receivable	5,031	45,338	50,369
Loans receivable	140,205	-	140,205
Due from other governments	13,709	-	13,709
Inventories	-	55,927	55,927
Prepaid items	5,071	2,103	7,174
Special assessments receivable - noncurrent	-	561,658	561,658
Net pension asset	109,772	-	109,772
Capital assets			
Non-depreciable	56,839	135,108	191,947
Depreciable - net of accumulated depreciation	700,234	4,101,348	4,801,582
<b>Total Assets</b>	<b>\$ 2,008,544</b>	<b>\$ 6,722,721</b>	<b>\$ 8,731,265</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	<b>\$ 463,978</b>	<b>\$ 51,775</b>	<b>\$ 515,753</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 8,129	\$ 24,251	\$ 32,380
Salaries payable	22,113	5,975	28,088
Due to other governments	-	5,379	5,379
Customer deposits	2,700	-	2,700
Long-term liabilities			
Due within one year	29,321	85,594	114,915
Due in more than one year	24,627	2,013,240	2,037,867
Net pension liability	277,199	159,704	436,903
<b>Total Liabilities</b>	<b>\$ 364,089</b>	<b>\$ 2,294,143</b>	<b>\$ 2,658,232</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	<b>\$ 326,809</b>	<b>\$ 50,131</b>	<b>\$ 376,940</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 738,987	\$ 2,156,456	\$ 2,895,443
Amounts restricted for			
Debt service	-	561,656	561,656
Economic development	108,953	-	108,953
Unrestricted amounts	933,684	1,712,110	2,645,794
<b>Total Net Position</b>	<b>\$ 1,781,624</b>	<b>\$ 4,430,222</b>	<b>\$ 6,211,846</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

		<b>Program Revenues</b>	
		<b>Fees, Charges, Fines and Other</b>	<b>Operating Grants and Contributions</b>
	<b>Expenses</b>		
<b><u>Functions/Programs</u></b>			
<b>Governmental activities</b>			
General government	\$ 157,883	\$ 33,809	\$ 562
Public safety	369,059	22,078	64,318
Highways and streets	121,492	-	-
Culture and recreation	105,712	16,904	44,967
Conservation of natural resources	2,821	-	-
Economic development	10,072	14,155	-
<b>Total governmental activities</b>	<b>\$ 767,039</b>	<b>\$ 86,946</b>	<b>\$ 109,847</b>
<b>Business-type activities</b>			
Liquor	\$ 279,423	\$ 269,499	\$ -
Sanitation	79,251	84,004	-
Sewer	227,491	123,687	-
Storm utility	13,322	24,770	-
Water	310,050	211,682	-
<b>Total business-type activities</b>	<b>\$ 909,537</b>	<b>\$ 713,642</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 1,676,576</b>	<b>\$ 800,588</b>	<b>\$ 109,847</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
\$ -	\$ (123,512)	\$ -	\$ (123,512)
-	(282,663)	-	(282,663)
2,155	(119,337)	-	(119,337)
-	(43,841)	-	(43,841)
-	(2,821)	-	(2,821)
-	4,083	-	4,083
<b>\$ 2,155</b>	<b>\$ (568,091)</b>	<b>\$ -</b>	<b>\$ (568,091)</b>
\$ -	\$ -	\$ (9,924)	\$ (9,924)
-	-	4,753	4,753
14,709	-	(89,095)	(89,095)
3,426	-	14,874	14,874
30,025	-	(68,343)	(68,343)
<b>\$ 48,160</b>	<b>\$ -</b>	<b>\$ (147,735)</b>	<b>\$ (147,735)</b>
<b>\$ 50,315</b>	<b>\$ (568,091)</b>	<b>\$ (147,735)</b>	<b>\$ (715,826)</b>
	\$ 209,814	\$ -	\$ 209,814
	347,091	22,932	370,023
	8,032	1,436	9,468
	57,150	433	57,583
	(53,225)	53,225	-
	<b>\$ 568,862</b>	<b>\$ 78,026</b>	<b>\$ 646,888</b>
	\$ 771	\$ (69,709)	\$ (68,938)
	<b>1,780,853</b>	<b>4,499,931</b>	<b>6,280,784</b>
	<b>\$ 1,781,624</b>	<b>\$ 4,430,222</b>	<b>\$ 6,211,846</b>

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

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	General Fund	Other Governmental Funds (Statement 1)	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 305,788	\$ 170,415	\$ 476,203
Investments	447,765	19,391	467,156
Taxes receivable			
Current	4,310	215	4,525
Prior	28,017	1,517	29,534
Special assessments receivable			
Prior	265	-	265
Accounts receivable	5,031	-	5,031
Loans receivable	-	140,205	140,205
Due from other governments	13,709	-	13,709
Prepaid items	5,071	-	5,071
<b>Total Assets</b>	<b>\$ 809,956</b>	<b>\$ 331,743</b>	<b>\$ 1,141,699</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 8,129	\$ -	\$ 8,129
Salaries payable	22,113	-	22,113
Customer deposits	2,700	-	2,700
<b>Total Liabilities</b>	<b>\$ 32,942</b>	<b>\$ -</b>	<b>\$ 32,942</b>
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 28,017	\$ 1,517	\$ 29,534
Loans	-	140,205	140,205
Special assessments	265	-	265
<b>Total Deferred Inflows of Resources</b>	<b>\$ 28,282</b>	<b>\$ 141,722</b>	<b>\$ 170,004</b>
<b>Fund Balances</b>			
Restricted for			
Economic development	\$ -	\$ 108,953	\$ 108,953
Assigned to			
General government	281,953	-	281,953
Public safety	25,017	-	25,017
Highways and streets	351,057	-	351,057
Culture and recreation	37,022	-	37,022
Capital outlay	-	81,068	81,068
Unassigned	53,683	-	53,683
<b>Total Fund Balances</b>	<b>\$ 748,732</b>	<b>\$ 190,021</b>	<b>\$ 938,753</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 809,956</b>	<b>\$ 331,743</b>	<b>\$ 1,141,699</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, 2023**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 938,753</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.	757,073
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	279,776
Deferred outflows of resources are not available resources and, therefore are not reported in the governmental funds:	
Deferred outflows of resources related to pensions	463,978
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	\$ (18,086)
Compensated absences	(35,862)
Net pension liability	<u>(277,199)</u>
	(331,147)
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>(326,809)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 1,781,624</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, 2023**

	General Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 190,446	\$ 9,542	\$ 199,988
Licenses and permits	3,758	-	3,758
Intergovernmental	449,419	-	449,419
Charges for services	61,618	-	61,618
Gifts and contributions	9,619	-	9,619
Investment earnings	7,793	239	8,032
Miscellaneous	64,556	11,552	76,108
<b>Total Revenues</b>	<b>\$ 787,209</b>	<b>\$ 21,333</b>	<b>\$ 808,542</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 150,717	\$ -	\$ 150,717
Public safety	271,840	-	271,840
Highways and streets	96,841	-	96,841
Culture and recreation	92,515	-	92,515
Conservation of natural resources	2,821	-	2,821
Economic development	-	10,072	10,072
<b>Debt service</b>			
Principal retirement	18,086	-	18,086
<b>Capital outlay</b>			
Public safety	15,000	27,315	42,315
Highways and streets	51,975	41,751	93,726
<b>Total Expenditures</b>	<b>\$ 699,795</b>	<b>\$ 79,138</b>	<b>\$ 778,933</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 87,414</b>	<b>\$ (57,805)</b>	<b>\$ 29,609</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 8,500	\$ 41,280	\$ 49,780
Transfers out	(103,005)	-	(103,005)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (94,505)</b>	<b>\$ 41,280</b>	<b>\$ (53,225)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (7,091)</b>	<b>\$ (16,525)</b>	<b>\$ (23,616)</b>
<b>Fund Balance - January 1</b>	<b>755,823</b>	<b>206,546</b>	<b>962,369</b>
<b>Fund Balance - December 31</b>	<b>\$ 748,732</b>	<b>\$ 190,021</b>	<b>\$ 938,753</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, 2023**

<b>Net change in fund balances - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>(23,616)</b>
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

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

Expenditures for general capital assets and infrastructure	\$ 136,041		
Current year depreciation	(59,048)		76,993

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	\$ 9,826		
Special assessments receivable	55		
Loans receivable	2,603		12,484

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

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

Change in			
Compensated absences payable	\$ (2,266)		
Net pension liability	322,077		
Deferred outflows of resources related to net pension liability	(100,159)		
Deferred inflows of resources related to net pension liability	(302,828)		(83,176)

<b>Change in net position of governmental activities (Exhibit 2)</b>	<b>\$</b>	<b>771</b>
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**CITY OF TWIN VALLEY  
TWIN VALLEY, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2023**

	Liquor Enterprise	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Nonmajor Storm Utility Enterprise	Total
<b><u>Assets</u></b>						
<b>Current Assets</b>						
Cash and pooled investments	\$ 176,747	\$ 145,400	\$ 419,020	\$ 778,944	\$ 195,888	\$ 1,715,999
Investments	76,122	-	-	-	-	76,122
Taxes receivable						
Current	-	-	166	308	-	474
Prior	-	-	1,168	2,169	-	3,337
Special assessments receivable						
Current	-	-	1,412	1,655	283	3,350
Prior	-	560	10,221	10,970	206	21,957
Accounts receivable	-	9,362	12,242	21,601	2,133	45,338
Inventories	55,927	-	-	-	-	55,927
Prepaid items	2,103	-	-	-	-	2,103
<b>Total Current Assets</b>	<b>\$ 310,899</b>	<b>\$ 155,322</b>	<b>\$ 444,229</b>	<b>\$ 815,647</b>	<b>\$ 198,510</b>	<b>\$ 1,924,607</b>
<b>Noncurrent Assets</b>						
Special assessments receivable	\$ -	\$ -	\$ 181,969	\$ 379,689	\$ -	\$ 561,658
Capital assets						
Non-depreciable	10,000	-	106,378	7,000	11,730	135,108
Depreciable - net of accumulated depreciation	114,328	-	1,182,833	2,368,548	435,639	4,101,348
<b>Total Noncurrent Assets</b>	<b>\$ 124,328</b>	<b>\$ -</b>	<b>\$ 1,471,180</b>	<b>\$ 2,755,237</b>	<b>\$ 447,369</b>	<b>\$ 4,798,114</b>
<b>Total Assets</b>	<b>\$ 435,227</b>	<b>\$ 155,322</b>	<b>\$ 1,915,409</b>	<b>\$ 3,570,884</b>	<b>\$ 645,879</b>	<b>\$ 6,722,721</b>
<b><u>Deferred Outflows of Resources</u></b>						
Related to pensions	\$ 25,887	\$ -	\$ 12,944	\$ 12,944	\$ -	\$ 51,775
<b><u>Liabilities</u></b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 9,747	\$ 5,945	\$ 1,200	\$ 7,359	\$ -	\$ 24,251
Salaries payable	3,563	-	1,206	1,206	-	5,975
Compensated absences payable	410	-	3,092	3,092	-	6,594
Due to other governments	4,399	841	-	139	-	5,379
MN PFA Loans payable	-	-	-	9,000	-	9,000
2019 Utility Revenue Refunding Bonds payable	-	-	24,500	45,500	-	70,000
<b>Total Current Liabilities</b>	<b>\$ 18,119</b>	<b>\$ 6,786</b>	<b>\$ 29,998</b>	<b>\$ 66,296</b>	<b>\$ -</b>	<b>\$ 121,199</b>
<b>Noncurrent Liabilities</b>						
Compensated absences payable	\$ 654	\$ -	\$ 5,793	\$ 5,793	\$ -	\$ 12,240
Net pension liability	79,852	-	39,926	39,926	-	159,704
MN PFA Loans payable	-	-	-	254,000	-	254,000
2019 Utility Revenue Refunding Bonds payable	-	-	611,450	1,135,550	-	1,747,000
<b>Total Noncurrent Liabilities</b>	<b>\$ 80,506</b>	<b>\$ -</b>	<b>\$ 657,169</b>	<b>\$ 1,435,269</b>	<b>\$ -</b>	<b>\$ 2,172,944</b>
<b>Total Liabilities</b>	<b>\$ 98,625</b>	<b>\$ 6,786</b>	<b>\$ 687,167</b>	<b>\$ 1,501,565</b>	<b>\$ -</b>	<b>\$ 2,294,143</b>

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

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2023**

	<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	\$ 25,065	\$ -	\$ 12,533	\$ 12,533	\$ -	\$ 50,131
<b><u>Net Position</u></b>						
Net investment in capital assets	\$ 124,328	\$ -	\$ 653,261	\$ 931,498	\$ 447,369	\$ 2,156,456
Amounts restricted for debt service	-	-	181,967	379,689	-	561,656
Unrestricted amounts	<u>213,096</u>	<u>148,536</u>	<u>393,425</u>	<u>758,543</u>	<u>198,510</u>	<u>1,712,110</u>
<b>Total Net Position</b>	<u><u>\$ 337,424</u></u>	<u><u>\$ 148,536</u></u>	<u><u>\$ 1,228,653</u></u>	<u><u>\$ 2,069,730</u></u>	<u><u>\$ 645,879</u></u>	<u><u>\$ 4,430,222</u></u>

**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, 2023**

	<b>Liquor Enterprise</b>	<b>Sanitation Enterprise</b>	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Nonmajor Storm Utility Enterprise</b>	<b>Total</b>
<b>Sales and Cost of Goods Sold</b>						
Sales	\$ 637,628	\$ -	\$ -	\$ -	\$ -	\$ 637,628
Cost of goods sold	(374,602)	-	-	-	-	(374,602)
<b>Gross Profit</b>	<b>\$ 263,026</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 263,026</b>
<b>Operating Revenues</b>						
Charges for services	\$ -	\$ 84,004	\$ 123,687	\$ 211,682	\$ 24,770	\$ 444,143
Rental income	4,983	-	-	-	-	4,983
<b>Total Operating Revenues</b>	<b>\$ 4,983</b>	<b>\$ 84,004</b>	<b>\$ 123,687</b>	<b>\$ 211,682</b>	<b>\$ 24,770</b>	<b>\$ 449,126</b>
<b>Total Gross Profit and Operating Revenues</b>	<b>\$ 268,009</b>	<b>\$ 84,004</b>	<b>\$ 123,687</b>	<b>\$ 211,682</b>	<b>\$ 24,770</b>	<b>\$ 712,152</b>
<b>Operating Expenses</b>						
Personnel services	\$ 153,279	\$ -	\$ 81,285	\$ 81,789	\$ -	\$ 316,353
Professional services	21,892	-	1,753	8,542	-	32,187
Contracted services	-	74,818	14,235	-	-	89,053
Administration	4,034	-	-	-	-	4,034
Advertising	7,690	-	-	-	-	7,690
Fuel	-	-	-	2,656	-	2,656
Insurance	12,969	-	7,935	9,196	-	30,100
Operating supplies	14,654	-	1,675	10,571	-	26,900
Other service and charges	-	4,433	-	-	-	4,433
Repairs and maintenance	18,037	-	13,845	23,801	-	55,683
Utilities	20,681	-	5,974	21,482	-	48,137
Miscellaneous	5,221	-	2,208	1,691	13	9,133
Depreciation	20,966	-	80,828	115,565	13,067	230,426
<b>Total Operating Expenses</b>	<b>\$ 279,423</b>	<b>\$ 79,251</b>	<b>\$ 209,738</b>	<b>\$ 275,293</b>	<b>\$ 13,080</b>	<b>\$ 856,785</b>
<b>Operating Income (Loss)</b>	<b>\$ (11,414)</b>	<b>\$ 4,753</b>	<b>\$ (86,051)</b>	<b>\$ (63,611)</b>	<b>\$ 11,690</b>	<b>\$ (144,633)</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, 2023**

	Liquor Enterprise	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Nonmajor Storm Utility Enterprise	Total
<b>Nonoperating Revenues (Expenses)</b>						
Property taxes	\$ -	\$ -	\$ 11,199	\$ 8,560	\$ 3,173	\$ 22,932
Special assessments	-	117	14,592	30,025	3,426	48,160
Miscellaneous	1,490	-	191	242	-	1,923
Investment earnings	1,238	-	99	99	-	1,436
Interest expense	-	-	(17,753)	(34,757)	(242)	(52,752)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 2,728</b>	<b>\$ 117</b>	<b>\$ 8,328</b>	<b>\$ 4,169</b>	<b>\$ 6,357</b>	<b>\$ 21,699</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ (8,686)</b>	<b>\$ 4,870</b>	<b>\$ (77,723)</b>	<b>\$ (59,442)</b>	<b>\$ 18,047</b>	<b>\$ (122,934)</b>
Transfers in	\$ -	\$ -	\$ -	\$ 64,247	\$ 9,638	\$ 73,885
Transfers out	(2,500)	-	(14,160)	(4,000)	-	(20,660)
<b>Total Transfers</b>	<b>\$ (2,500)</b>	<b>\$ -</b>	<b>\$ (14,160)</b>	<b>\$ 60,247</b>	<b>\$ 9,638</b>	<b>\$ 53,225</b>
<b>Change in Net Position</b>	<b>\$ (11,186)</b>	<b>\$ 4,870</b>	<b>\$ (91,883)</b>	<b>\$ 805</b>	<b>\$ 27,685</b>	<b>\$ (69,709)</b>
<b>Net Position - January 1</b>	<b>348,610</b>	<b>143,666</b>	<b>1,320,536</b>	<b>2,068,925</b>	<b>618,194</b>	<b>4,499,931</b>
<b>Net Position - December 31</b>	<b>\$ 337,424</b>	<b>\$ 148,536</b>	<b>\$ 1,228,653</b>	<b>\$ 2,069,730</b>	<b>\$ 645,879</b>	<b>\$ 4,430,222</b>

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

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
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	\$ 698,380	\$ 93,019	\$ 123,364	\$ 214,378	\$ 24,880	\$ 1,154,021
Payments to employees	(153,561)	-	(78,056)	(78,560)		(310,177)
Payments to suppliers	(545,964)	(88,835)	(47,256)	(74,310)	(13)	(756,378)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,145)</b>	<b>\$ 4,184</b>	<b>\$ (1,948)</b>	<b>\$ 61,508</b>	<b>\$ 24,867</b>	<b>\$ 87,466</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Miscellaneous receipts	\$ 1,480	\$ -	\$ 186	\$ 237	\$ -	\$ 1,903
Transfer in	-	-	-	64,247	9,638	73,885
Transfer out	(2,500)	-	(14,160)	(4,000)	-	(20,660)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ (1,020)</b>	<b>\$ -</b>	<b>\$ (13,974)</b>	<b>\$ 60,484</b>	<b>\$ 9,638</b>	<b>\$ 55,128</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Property taxes received	\$ -	\$ -	\$ 10,902	\$ 7,128	\$ 3,401	\$ 21,431
Special assessments received	-	-	35,455	51,583	3,697	90,735
Acquisition and construction of capital assets	-	-	(88,292)	(63,725)	-	(152,017)
Principal paid on debt	-	-	(51,350)	(62,150)	(10,500)	(124,000)
Interest paid on debt	-	-	(17,753)	(34,757)	(242)	(52,752)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (111,038)</b>	<b>\$ (101,921)</b>	<b>\$ (3,644)</b>	<b>\$ (216,603)</b>
<b>Cash Flows from Investing Activities</b>						
Investment earnings received	\$ 1,238	\$ -	\$ 99	\$ 99	\$ -	\$ 1,436
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (927)</b>	<b>\$ 4,184</b>	<b>\$ (126,861)</b>	<b>\$ 20,170</b>	<b>\$ 30,861</b>	<b>\$ (72,573)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>253,796</b>	<b>141,216</b>	<b>545,881</b>	<b>758,774</b>	<b>165,027</b>	<b>1,864,694</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 252,869</b>	<b>\$ 145,400</b>	<b>\$ 419,020</b>	<b>\$ 778,944</b>	<b>\$ 195,888</b>	<b>\$ 1,792,121</b>

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

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
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>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ (11,414)	\$ 4,753	\$ (86,051)	\$ (63,611)	\$ 11,690	\$ (144,633)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>						
Depreciation expense	\$ 20,966	\$ -	\$ 80,828	\$ 115,565	\$ 13,067	\$ 230,426
(Increase) decrease in assets						
Accounts receivable	-	(676)	(323)	1,388	110	499
Inventories	(10,503)	-	-	-	-	(10,503)
Prepaid items	(218)	-	-	-	-	(218)
Increase (decrease) in liabilities						
Accounts payable	696	22	369	4,925	-	6,012
Salaries payable	(4,710)	-	210	210	-	(4,290)
Compensated absences payable	(824)	-	393	393	-	(38)
Due to other governments	(390)	85	-	12	-	(293)
Net pension liability	5,252	-	2,626	2,626	-	10,504
<b>Total adjustments</b>	<b>\$ 10,269</b>	<b>\$ (569)</b>	<b>\$ 84,103</b>	<b>\$ 125,119</b>	<b>\$ 13,177</b>	<b>\$ 232,099</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,145)</b>	<b>\$ 4,184</b>	<b>\$ (1,948)</b>	<b>\$ 61,508</b>	<b>\$ 24,867</b>	<b>\$ 87,466</b>



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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023**

**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, 2023, 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 2023 were \$3,586. Total investment earnings for 2023 were \$9,468.

**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 2011 through 2023 and noncurrent special assessments collectible in 2024 and beyond. Taxes and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

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

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

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

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

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

**4. Inventories and Prepaid Items**

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

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

**5. Capital Assets**

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

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

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

I. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

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

6. Deferred Outflows/Inflows of Resources

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

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

7. Compensated Absences

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

8. Long-Term Obligations

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

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

I. Summary of Significant Accounting Policies

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

9. Pensions

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

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

10. Net Position and Fund Balance

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

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

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

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

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

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. At December 31, 2023, the City reports no non-spendable fund balances.

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

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

I. Summary of Significant Accounting Policies

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

10. Net Position and Fund Balance (Continued)

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the City Council shall pass a resolution. At December 31, 2023, the City reports no committed fund balances.

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

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

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely, such as resources as a reserve for delinquent taxes; a reserve against economic uncertainties leading to overestimates in revenue forecasts; resources to provide for unpredictable changes in state law; and monies for unforeseen expenditures such as natural disasters, for which no other government resources are made available or there is a delay in receiving those funds from other government entities. As of December 31, 2023, 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, 2023, are as follows:

<b>Government-wide Statement of Net Position</b>	
<i>Governmental Activities</i>	
Cash and pooled investments	\$ 476,203
Investments	467,156
<i>Business-type Activities</i>	
Cash and pooled investments	1,715,999
Investments	76,122
Total Cash and Investments	<u>\$ 2,735,480</u>
Cash on hand	\$ 8,765
Checking	2,183,436
Savings	189
Certificates of deposit	<u>543,090</u>
Total Deposits and Cash on Hand	<u>\$ 2,735,480</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, 2023, 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, 2023, for the City's governmental and business-type activities, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes	\$ 34,059	\$ -
Special assessments	265	-
Accounts receivable	5,031	-
Loans receivable	140,205	131,936
	<u>179,560</u>	<u>131,936</u>
Total Governmental Activities	<u>\$ 179,560</u>	<u>\$ 131,936</u>
<b>Business-Type Activities</b>		
Taxes	\$ 3,811	\$ -
Special assessments	586,965	561,658
Accounts receivable	45,338	-
	<u>636,114</u>	<u>561,658</u>
Total Business-Type Activities	<u>\$ 636,114</u>	<u>\$ 561,658</u>

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2023, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 56,839	\$ -	\$ -	\$ 56,839
Capital assets being depreciated				
Infrastructure	\$ 265,465	\$ 51,975	\$ -	\$ 317,440
Buildings and improvements	540,200	-	-	540,200
Land improvements	15,600	-	-	15,600
Machinery and equipment	827,172	84,066	-	911,238
	<u>1,648,437</u>	<u>136,041</u>	<u>\$ -</u>	<u>\$ 1,784,478</u>
Total capital assets being depreciated				
Less: accumulated depreciation for				
Infrastructure	\$ 98,316	\$ 10,372	\$ -	\$ 108,688
Buildings and improvements	296,321	8,822	-	305,143
Land improvements	13,200	600	-	13,800
Machinery and equipment	617,359	39,254	-	656,613
	<u>1,025,196</u>	<u>59,048</u>	<u>\$ -</u>	<u>\$ 1,084,244</u>
Total accumulated depreciation				
Total capital assets, depreciated, net	<u>\$ 623,241</u>	<u>\$ 76,993</u>	<u>\$ -</u>	<u>\$ 700,234</u>
<b>Governmental Activities</b>				
Capital Assets, Net	<u>\$ 680,080</u>	<u>\$ 76,993</u>	<u>\$ -</u>	<u>\$ 757,073</u>

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

**II. Detailed Notes on All Funds**

**A. Assets**

**3. Capital Assets (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 46,816	\$ -	\$ -	\$ 46,816
Construction in progress	-	88,292	-	88,292
<b>Total capital assets not depreciated</b>	<b>\$ 46,816</b>	<b>\$ 88,292</b>	<b>\$ -</b>	<b>\$ 135,108</b>
Capital assets being depreciated				
Infrastructure	\$ 7,776,348	\$ -	\$ -	\$ 7,776,348
Buildings and improvements	572,018	-	-	572,018
Land improvements	58,281	-	-	58,281
Machinery and equipment	92,253	-	9,853	82,400
<b>Total capital assets being depreciated</b>	<b>\$ 8,498,900</b>	<b>\$ -</b>	<b>\$ 9,853</b>	<b>\$ 8,489,047</b>
Less: accumulated depreciation for				
Infrastructure	\$ 3,656,302	\$ 205,676	\$ -	\$ 3,861,978
Buildings and improvements	414,802	19,775	-	434,577
Land improvements	11,082	3,147	-	14,229
Machinery and equipment	84,940	1,828	9,853	76,915
<b>Total accumulated depreciation</b>	<b>\$ 4,167,126</b>	<b>\$ 230,426</b>	<b>\$ 9,853</b>	<b>\$ 4,387,699</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 4,331,774</b>	<b>\$ (230,426)</b>	<b>\$ -</b>	<b>\$ 4,101,348</b>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 4,378,590</b>	<b>\$ (142,134)</b>	<b>\$ -</b>	<b>\$ 4,236,456</b>

**Depreciation Expense**

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

<b>Governmental Activities</b>	
General government	\$ 1,164
Public safety	20,036
Highways and streets	24,651
Culture and recreation	13,197
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 59,048</b>
<b>Business-Type Activities</b>	
Liquor Store	\$ 20,966
Sewer	80,828
Storm Drainage	13,067
Water	115,565
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 230,426</b>

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## II. Detailed Notes on All Funds

### B. Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following operating transfers:

Transfer to Long-Term Capital Projects Fund from General Fund	\$ 41,280	Operating transfer
Transfer to Water Fund from General Fund	\$ 25,664	Transfers for capital outlay
	36,061	Transfers for capital outlay
Total transfer to Water Fund	<u>\$ 61,725</u>	
Transfer to General Fund from Liquor Enterprise Fund	<u>\$ 2,500</u>	For loader lease payment
Transfer to General Fund from Sewer Enterprise Fund	<u>\$ 2,000</u>	For loader lease payment
Transfer to General Fund from Water Enterprise Fund	\$ 2,000	Transfers for capital outlay
	2,000	For loader lease payment
Total transfer to General Fund from Water Enterprise Fund	<u>\$ 4,000</u>	
Transfer to Water Fund from Sewer Fund	<u>\$ 2,522</u>	Debt payments
Transfer to Storm Fund from Sewer Fund	<u>\$ 9,638</u>	Debt payments
Total Interfund Transfers:	<u><u>\$ 123,665</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, with no payout option of any remaining hours not used, and 120 days sick leave under the City's employment policy. Employees are eligible to vest one-third of unused sick leave upon termination in good standing.

Unvested sick leave, approximately \$60,009 at December 31, 2023, is available to employees in the event of illness-related absences and is not paid to them at termination. Compensated absences are generally liquidated from the General Fund and the Liquor, Sewer and Water Enterprise Funds.

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

II. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities

City of Twin Valley capital lease issued on January 27, 2020 represents debt incurred for a lease with the option to purchase a Case Wheel Loader financed through Titan Machinery. This lease has an original issue amount of \$88,244, with a net book value of \$70,596. Interest of 4.95 percent was prepaid, and the remaining principal balance is due in annual installments from the General Fund of \$18,086 through February 1, 2024. The balance due on this capital lease at December 31, 2023 is \$18,086.

Year Ending December 31	Principal
2024	\$ 18,086

Business-Type Activities

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

City of Twin Valley Public Facilities Authority (PFA) Drinking Water State Revolving Fund Loan represents debt incurred to finance improvements to the water treatment plant. The loan has an original issue amount of \$80,338, with an addition of \$210,571 in 2020, for a total issue amount of \$290,909. This loan carries a net interest rate of 1.0 percent and is due in annual installments of between \$8,839 to \$11,000 from the Water Enterprise Fund through August 20, 2049. The balance due at December 31, 2023 is \$263,000.

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

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

II. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Business-Type Activities (Continued)

rate of 2.7249 percent, and are due in semiannual installments paid from the Sewer Fund and Water Fund resulting in a total annual payment of between \$68,000 and \$114,000 through February 1, 2043. The balance due on these bonds at December 31, 2023 is \$1,817,000.

Debt service requirements for business-type activities at December 31, 2023, are as follows:

Year Ending December 31	\$290,909 Drinking Water State Revolving Fund (PFA)		General Obligation Utility Refunding Bonds Series 2019B	
	Principal	Interest	Principal	Interest
2024	\$ 9,000	\$ 2,630	\$ 70,000	\$ 47,223
2025	9,000	2,540	74,000	45,315
2026	9,000	2,450	74,000	43,354
2027	9,000	2,360	76,000	41,367
2028	9,000	2,270	79,000	39,313
2029-2033	49,000	9,940	421,000	164,023
2034-2038	50,000	7,450	480,000	104,356
2039-2043	53,000	4,920	543,000	36,688
2044-2048	55,000	2,200	-	-
2049	11,000	110	-	-
Total	<u>\$ 263,000</u>	<u>\$ 36,870</u>	<u>\$ 1,817,000</u>	<u>\$ 521,639</u>

3. Long-Term Liability

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Case Wheel Loader Lease	36,172	-	18,086	18,086	18,086
Compensated Absences	33,596	22,681	20,415	35,862	11,235
Net Pension Liability	599,276	-	322,077	277,199	-
Governmental Activities Long-Term Liabilities	<u>\$ 669,044</u>	<u>\$ 22,681</u>	<u>\$ 360,578</u>	<u>\$ 331,147</u>	<u>\$ 29,321</u>

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

**II. Detailed Notes on All Funds**

**C. Liabilities**

**3. Long-Term Liability (Continued)**

**Business-Type Activities**

Long-term liability activity for the business-type activities for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Utility Revenue and Refunding Bonds, Series 2012A	\$ 46,000	\$ -	\$ 46,000	\$ -	\$ -
G.O. Utility Revenue Refunding Bonds, Series 2019B	1,886,000	-	69,000	1,817,000	70,000
\$299,070 Drinking Water State Revolving Funds (PFA) 2019	272,000	-	9,000	263,000	9,000
Compensated Absences	18,872	13,093	13,131	18,834	6,594
Net Pension Liability	<u>210,039</u>	<u>-</u>	<u>50,335</u>	<u>159,704</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,432,911</u>	<u>\$ 13,093</u>	<u>\$ 187,466</u>	<u>\$ 2,258,538</u>	<u>\$ 85,594</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, 2023, are summarized below by fund:

Governmental Funds	Taxes	Special Assessments	Loans Receivable	Total
General	\$ 28,017	\$ 265	\$ -	\$ 28,282
Long Term Capital Projects	1,517	-	-	1,517
Loan Pool/EDA Special Revenue	-	-	118,386	118,386
Small Cities Development Special Revenue	-	-	21,819	21,819
Total	<u>\$ 29,534</u>	<u>\$ 265</u>	<u>\$ 140,205</u>	<u>\$ 170,004</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

The city re-reported 2022 amounts for Statewide Volunteer Firefighter Retirement Plan (SVF). 2023 information is unavailable from the MN PERA.

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

III. Pension Plans

Defined Benefit Pension Plans (Continued)

B. Benefits Provided

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

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Police and Fire Plan Benefits

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



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

III. Pension Plans

Defined Benefit Pension Plans

B. Benefits Provided

2. Police and Fire Plan Benefits (Continued)

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

3. Statewide Volunteer Firefighter (SVF) Plan Benefits

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 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, 2023, were \$24,774. The City of Twin Valley's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan member's members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City of Twin Valley was required to contribute 17.70 percent for Police and Fire Plan members. The City of Twin Valley's contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$26,431. The City of Twin Valley's contributions were equal to the required contributions as set by state statute.

3. Statewide Volunteer Firefighter (SVF) Plan Contributions

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

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

III. Pension Plans

Defined Benefit Pension Plans

C. Contributions

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

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

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City of Twin Valley reported a liability of \$234,859 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 \$6,451.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0042 percent at the end of the measurement period and .0039 percent for the beginning of the period.

City of Twin Valley's	
proportionate share of the net pension liability	\$ 234,859
State of Minnesota's proportionate share of	
the net pension liability associated with	
the City of Twin Valley	<u>6,451</u>
Total	<u><u>\$ 241,310</u></u>

There were no provision changes during the measurement period.

For the year ended December 31, 2023, the City of Twin Valley recognized pension expense of 12,126 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Twin Valley recognized an additional \$29 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

**III. Pension Plans**

**Defined Benefit Pension Plans**

**D. Pension Costs**

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

At December 31, 2023, the City of Twin Valley reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 7,581	\$ 1,463
Changes in actuarial assumption	34,435	64,373
Difference between projected and actual investment earnings	-	7,886
Changes in proportion	21,454	-
Contributions paid to PERA subsequent to the measurement date	12,669	-
Total	<u>\$ 76,139</u>	<u>\$ 73,722</u>

The \$12,669 reported as deferred outflows of resources related to pensions resulting from the City of Twin Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2024	\$ 11,996
2025	\$ (26,427)
2026	\$ 9,274
2027	\$ (5,095)
2028	\$ -

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

At December 31, 2023, the City of Twin Valley reported a liability of \$202,044 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0117 percent at the end of the measurement period and .0115 percent for the beginning of the period.

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

III. Pension Plans

Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City of Twin Valley recognized pension expense of (\$3,846) for its proportionate share of the Police and Fire Plan's pension expense. The City of Twin Valley recognized \$8,158 as grant revenue for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City of Twin Valley recognized (\$491) for the year ended December 31, 2023, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Twin Valley's proportionate share of the net pension liability	\$ 202,044
State of Minnesota's proportionate share of the net pension liability associated with the City of Twin Valley	<u>8,158</u>
Total	<u>\$ 210,202</u>

There were no provision changes during the measurement period.

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

III. Pension Plans

Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2023, 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	\$ 54,267	\$ -
Changes in actuarial assumptions	221,599	283,870
Difference between projected and actual investment earnings	81,524	-
Changes in proportion	14,476	1,777
Contributions paid to PERA subsequent to the measurement date	13,156	-
Total	<u>\$ 385,022</u>	<u>\$ 285,647</u>

The \$13,156 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, 2024. 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:
2024	\$ 52,421
2025	\$ 46,385
2026	\$ 47,188
2027	\$ (11,095)
2028	\$ (48,680)

3. Statewide Volunteer Firefighter (SVF) Plan Pension Costs

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

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

**III. Defined Benefit Pension Plans**

**D. Pension Costs**

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

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

There were no benefit provision changes during the measurement period.

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

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

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

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

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

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

III. Defined Benefit Pension Plans

D. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City of Twin Valley for the year ended December 31, 2023, was \$27,979.

E. Long-Term Expected Return on Investment

General Employees Fund - Police and Fire Fund

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

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

Statewide Volunteer Firefighter Plan

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

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

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

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

III. Defined Benefit Pension Plans

E. Long-Term Expected Return on Investment

Statewide Volunteer Firefighter Plan (Continued)

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

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

F. Actuarial Methods and Assumptions

General Employees Fund – Police and Fire Fund

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary.

An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2023, actuarial valuation.



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

III. Pension Plans

Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

Statewide Volunteer Firefighter (SVF) Plan

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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

III. Pension Plans

Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

**Statewide Volunteer Firefighter (SVF) Plan**

Changes in Actuarial Assumptions and Plan Provisions:

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

G. Discount Rate

General Employees Fund – Police and Fire Fund

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Statewide Volunteer Firefighter (SVF) Plan

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

H. Pension Liability Sensitivity

The following presents the City of Twin Valley's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Twin Valley proportionate share of the net pension liability would be if it were calculated

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## III. Pension Plans

### Defined Benefit Pension Plans

#### H. Pension Liability Sensitivity (Continued)

using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>Net Pension Liability (Asset) at Different Discount Rates</u>					
	<u>General Employees Fund</u>		<u>Police and Fire Fund</u>		<u>Volunteer Firefighter Fund</u>	
1% Lower	6.00%	\$ 415,485	6.00%	\$ 400,879	5.00%	\$ (100,765)
Current Discount Rate	7.00%	\$ 234,859	7.00%	\$ 202,044	6.00%	(109,772)
1% Higher	8.00%	\$ 86,288	8.00%	\$ 38,575	7.00%	(118,617)

#### I. Pension Plan Fiduciary Net Position

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

## IV. Summary of Significant Contingencies and Other Items

### A. Claims and Litigation

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

### B. Risk Management

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

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 209,172	\$ 209,172	\$ 190,446	\$ (18,726)
Licenses and permits	\$ 3,380	\$ 3,380	\$ 3,758	\$ 378
<b>Intergovernmental</b>				
Shared Revenues				
Public Safety Aid	\$ 912	\$ 912	\$ 31,376	\$ 30,464
Police Aid	20,000	20,000	17,242	(2,758)
Local Government Aid	345,558	345,558	345,558	-
Market Value Credit	180	180	432	252
State Grants				
Minnesota Department/Board of				
Natural Resources	30,000	30,000	44,967	14,967
Public Safety	6,000	6,000	550	(5,450)
Trial Courts	2,000	2,000	562	(1,438)
Transportation	4,100	4,100	2,100	(2,000)
Peace Officer Standards and Training	3,000	3,000	3,031	31
Federal Grants				
Department of				
Agriculture	-	-	2,500	2,500
Local Grants				
Norman County	-	-	1,101	1,101
<b>Total Intergovernmental</b>	<b>\$ 411,750</b>	<b>\$ 411,750</b>	<b>\$ 449,419</b>	<b>\$ 37,669</b>
<b>Charges for services</b>				
General government	\$ 18,150	\$ 18,150	\$ 23,111	\$ 4,961
Public safety	33,813	33,813	21,763	(12,050)
Culture and recreation	9,650	9,650	16,744	7,094
<b>Total Charges for Services</b>	<b>\$ 61,613</b>	<b>\$ 61,613</b>	<b>\$ 61,618</b>	<b>\$ 5</b>
<b>Gifts and contributions</b>				
Public safety	\$ 6,400	\$ 6,400	\$ 9,619	\$ 3,219
Culture and recreation	100	100	-	(100)
<b>Total Gifts and Contributions</b>	<b>\$ 6,500</b>	<b>\$ 6,500</b>	<b>\$ 9,619</b>	<b>\$ 3,119</b>
<b>Investment earnings</b>	<b>\$ 450</b>	<b>\$ 450</b>	<b>\$ 7,793</b>	<b>\$ 7,343</b>

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

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues (continued)</b>				
<b>Miscellaneous</b>				
General government	\$ 6,640	\$ 6,640	\$ 6,931	\$ 291
Public Safety	500	500	315	(185)
Culture and recreation	100	100	160	60
Rental income	39,200	39,200	57,150	17,950
<b>Total Miscellaneous</b>	<b>\$ 46,440</b>	<b>\$ 46,440</b>	<b>\$ 64,556</b>	<b>\$ 18,116</b>
<b>Total Revenues</b>	<b>\$ 739,305</b>	<b>\$ 739,305</b>	<b>\$ 787,209</b>	<b>\$ 47,904</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 11,902	\$ 11,902	\$ 11,211	\$ 691
Finance/office staff	48,630	48,630	46,414	2,216
General administration	60,384	60,384	56,125	4,259
Assessor	3,200	3,200	4,550	(1,350)
Elections	2,500	2,500	-	2,500
Professional services	3,600	3,600	2,900	700
Legal	8,000	8,000	8,246	(246)
Airport	1,350	1,350	1,344	6
Buildings and grounds	23,244	23,244	18,510	4,734
Other general government	1,850	1,850	1,417	433
<b>Total general government</b>	<b>\$ 164,660</b>	<b>\$ 164,660</b>	<b>\$ 150,717</b>	<b>\$ 13,943</b>
<b>Public safety</b>				
Police	\$ 231,835	\$ 231,835	\$ 220,928	\$ 10,907
Fire	50,465	50,465	30,111	20,354
Rescue services	17,240	17,240	20,623	(3,383)
Other public safety	300	300	178	122
<b>Total public safety</b>	<b>\$ 299,840</b>	<b>\$ 299,840</b>	<b>\$ 271,840</b>	<b>\$ 28,000</b>
<b>Highways and streets</b>				
Streets and alleys	\$ 74,670	\$ 74,670	\$ 70,249	\$ 4,421
Snow and ice removal	7,000	7,000	5,766	1,234
Street lighting	20,250	20,250	20,826	(576)
<b>Total highways and streets</b>	<b>\$ 101,920</b>	<b>\$ 101,920</b>	<b>\$ 96,841</b>	<b>\$ 5,079</b>

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

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<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	\$ 17,375	\$ 17,375	\$ 13,228	\$ 4,147
Parks	32,310	32,310	35,338	(3,028)
Snowmobile and ski trails	30,000	30,000	31,258	(1,258)
Wimmer Cabins	17,500	17,500	12,326	5,174
Other culture and recreation	-	-	365	(365)
<b>Total culture and recreation</b>	<b>\$ 97,185</b>	<b>\$ 97,185</b>	<b>\$ 92,515</b>	<b>\$ 4,670</b>
<b>Conservation of natural resources</b>				
Weed and pest control	\$ 2,700	\$ 2,700	\$ 2,821	\$ (121)
<b>Debt service</b>				
Principal retirement	\$ 16,000	\$ 16,000	\$ 18,086	\$ (2,086)
<b>Capital outlay</b>				
Public safety	\$ 26,500	\$ 26,500	\$ 15,000	\$ 11,500
Highways and streets	50,000	50,000	51,975	(1,975)
Culture and recreation	5,000	5,000	-	5,000
<b>Total capital outlay</b>	<b>\$ 81,500</b>	<b>\$ 81,500</b>	<b>\$ 66,975</b>	<b>\$ 14,525</b>
<b>Total Expenditures</b>	<b>\$ 763,805</b>	<b>\$ 763,805</b>	<b>\$ 699,795</b>	<b>\$ 64,010</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (24,500)</b>	<b>\$ (24,500)</b>	<b>\$ 87,414</b>	<b>\$ 111,914</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 25,000	\$ 25,000	\$ 8,500	\$ (16,500)
Transfers out	-	-	(103,005)	(103,005)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ (94,505)</b>	<b>\$ (119,505)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ (7,091)</b>	<b>\$ (7,591)</b>
<b>Fund Balance - January 1</b>	<b>755,823</b>	<b>755,823</b>	<b>755,823</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 756,323</b>	<b>\$ 756,323</b>	<b>\$ 748,732</b>	<b>\$ (7,591)</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, 2023**

**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, 2023	\$ 24,774	\$ 24,774	\$ -	\$ 330,320	7.5%
December 31, 2022	\$ 24,363	\$ 24,363	\$ -	\$ 324,840	7.5%
December 31, 2021	\$ 20,620	\$ 20,620	\$ -	\$ 274,933	7.5%
December 31, 2020	\$ 20,386	\$ 20,386	\$ -	\$ 271,814	7.5%
December 31, 2019	\$ 20,549	\$ 20,549	\$ -	\$ 273,987	7.5%
December 31, 2018	\$ 19,450	\$ 19,450	\$ -	\$ 259,309	7.5%
December 31, 2017	\$ 20,096	\$ 20,096	\$ -	\$ 267,947	7.5%
December 31, 2016	\$ 20,169	\$ 20,169	\$ -	\$ 268,920	7.5%
December 31, 2015	\$ 21,198	\$ 21,198	\$ -	\$ 282,649	7.5%

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

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2023	\$ 26,431	\$ 26,431	\$ -	\$ 149,325	17.7%
December 31, 2022	\$ 27,056	\$ 27,056	\$ -	\$ 152,859	17.7%
December 31, 2021	\$ 22,750	\$ 22,750	\$ -	\$ 128,531	17.7%
December 31, 2020	\$ 20,845	\$ 20,845	\$ -	\$ 117,768	17.7%
December 31, 2019	\$ 18,399	\$ 18,399	\$ -	\$ 113,574	16.2%
December 31, 2018	\$ 16,752	\$ 16,752	\$ -	\$ 103,406	16.2%
December 31, 2017	\$ 17,360	\$ 17,360	\$ -	\$ 107,160	16.2%
December 31, 2016	\$ 17,068	\$ 17,068	\$ -	\$ 105,358	16.2%
December 31, 2015	\$ 16,597	\$ 16,597	\$ -	\$ 102,451	16.2%

**FIRE RELIEF ASSOCIATION PENSION PLAN**

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

*Note: These schedules are intended to present 10 years and will be completed as available.  
The Fire Relief Association 2023 information was unavailable from the MN PERA.*



**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, 2023**

**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, 2023	0.0042%	\$ 234,859	\$ 6,451	\$ 241,310	\$ 338,430	69.40%	83.10%
June 30, 2022	0.0039%	\$ 308,881	\$ 9,023	\$ 317,904	\$ 287,506	107.43%	76.67%
June 30, 2021	0.0038%	\$ 162,777	\$ 4,935	\$ 167,712	\$ 277,776	58.60%	87.00%
June 30, 2020	0.0037%	\$ 221,832	\$ 6,815	\$ 228,647	\$ 248,364	89.32%	79.06%
June 30, 2019	0.0038%	\$ 210,093	\$ 6,500	\$ 216,593	\$ 277,340	88.07%	80.23%
June 30, 2018	0.0039%	\$ 216,356	\$ 1,643	\$ 217,999	\$ 262,393	88.07%	79.53%
June 30, 2017	0.0042%	\$ 268,125	\$ 99	\$ 268,224	\$ 288,218	93.03%	75.90%
June 30, 2016	0.0043%	\$ 349,139	\$ 1,342	\$ 350,481	\$ 269,882	129.37%	68.90%
June 30, 2015	0.0046%	\$ 238,396	\$ -	\$ 238,396	\$ 279,866	85.18%	78.20%

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

<b>Fiscal Year Ending</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2023	0.0117%	\$ 202,044	\$ 8,158	\$ 210,202	\$ 146,718	137.71%	86.47%
June 30, 2022	0.0115%	\$ 500,435	\$ 21,857	\$ 522,292	\$ 146,794	340.91%	70.53%
June 30, 2021	0.0102%	\$ 78,733	\$ 3,520	\$ 82,253	\$ 125,124	62.92%	93.66%
June 30, 2020	0.0098%	\$ 129,174	\$ 3,034	\$ 132,208	\$ 110,482	116.92%	89.17%
June 30, 2019	0.0103%	\$ 109,654	\$ 1,390	\$ 111,044	\$ 111,497	98.35%	89.26%
June 30, 2018	0.0100%	\$ 106,590	\$ 900	\$ 107,490	\$ 104,682	101.82%	88.80%
June 30, 2017	0.0100%	\$ 135,012	\$ 900	\$ 135,912	\$ 109,122	123.73%	85.40%
June 30, 2016	0.0110%	\$ 441,449	\$ 990	\$ 442,439	\$ 109,467	403.27%	63.90%
June 30, 2015	0.0110%	\$ 124,986	\$ 900	\$ 125,886	\$ 99,523	125.59%	86.60%

**FIRE RELIEF ASSOCIATION PENSION PLAN**

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

*Note: These schedules are intended to present 10 years and will be completed as available.  
The Fire Relief Association 2023 information was unavailable from the MN PERA.*

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

**Schedule 4**

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

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
<b>Changes for the Year</b>			
Service cost	\$ 13,516	\$ -	\$ 13,516
Investment earnings	14,053	-	14,053
Actuarial experience (gains)/losses	(6,712)	-	(6,712)
Projected investment earnings	-	23,890	(23,890)
Contributions (state)	-	14,083	(14,083)
Asset (gain)/loss	-	(83,751)	83,751
Administrative costs	-	(1,075)	1,075
<b>Net Change</b>	<b>\$ 20,857</b>	<b>\$ (46,853)</b>	<b>\$ 67,710</b>
<b>Balance - January 1</b>	<b>220,695</b>	<b>398,177</b>	<b>(177,482)</b>
<b>Balance - December 31</b>	<b>\$ 241,552</b>	<b>\$ 351,324</b>	<b>\$ (109,772)</b>
<b>Plan Fiduciary Net Position</b>			
Fire state aid		\$ 10,886	
Fire supplemental aid		2,197	
Supplemental benefit reimbursement		1,000	
Net investment earnings		(59,860)	
Administrative expenses		(1,051)	
Investment fee		(25)	
<b>Net Change in Fiduciary Net Position</b>		<b>\$ (46,853)</b>	
<b>Fiduciary Net Position - January 1</b>		<b>398,177</b>	
<b>Fiduciary Net Position - December 31</b>		<b>\$ 351,324</b>	
<b>Association's Net Pension Liability (Asset) - December 31</b>		<b>\$ (109,772)</b>	
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>		<b>145.4%</b>	
<b>2023 information for the fire relief association was unavailable from the MN PERA</b>			

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023**

**I. Budgetary Information**

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

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

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

**II. Excess of Expenditures Over Budget**

The following departments had expenditures in excess of budget for the year ended December 31, 2023:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>General Fund</b>			
<i>General government</i>			
Assessor	\$ 4,550	\$ 3,200	\$ (1,350)
Legal	8,246	8,000	(246)
<i>Public safety</i>			
Rescue services	20,623	17,240	(3,383)
<i>Highways and streets</i>			
Street lighting	20,826	20,250	(576)
<i>Culture and recreation</i>			
Parks	35,338	32,310	(3,028)
Snowmobile and ski trails	31,258	30,000	(1,258)
Other culture and recreation	365	-	(365)
<i>Conservation of natural resources</i>			
Weed and pest control	2,821	2,700	(121)
<i>Debt service</i>			
Principal retirement	18,086	16,000	(2,086)
<i>Capital outlay</i>			
Highways and streets	51,975	50,000	(1,975)

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

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

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

**General Employees Fund**

2023 Changes

*Changes in Actuarial Assumptions*

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

*Changes in Plan Provisions*

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2021 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2020 Changes

*Changes in Actuarial Assumptions*

- The price inflation assumption 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.

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

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

**General Employees Fund**

2020 Changes (Continued)

*Changes in Actuarial Assumptions*

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees were 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 morality projection scale was changed from MP-2017 to MP-2018.

*Changes in Plan Provisions*

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

2018 Changes

*Changes in Actuarial Assumptions*

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

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

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

**General Employees Fund**

2018 Changes (Continued)

*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.
- 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.

*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.

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

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

**2016 Changes (Continued)**

***Changes in Actuarial Assumptions***

- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

***Changes in Plan Provisions***

- There have been no changes since the prior valuation.

**2015 Changes**

***Changes in Actuarial Assumptions***

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

***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**

**2023 Changes**

***Changes in Actuarial Assumptions:***

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

***Changes in Plan Provisions:***

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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

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

**Police and Fire Fund (Continued)**

2022 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2021 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2020 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.



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

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

**Police and Fire Fund (Continued)**

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.

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2018 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2017 Changes

*Changes in Actuarial Assumptions*

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

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

**Police and Fire Fund**

2017 Changes (Continued)

*Changes in Actuarial Assumptions*

- 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.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2016 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

## **SUPPLEMENTARY INFORMATION**

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

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

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

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

Capital Projects Funds

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

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

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

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	Special Revenue Funds (Statement 3)	Capital Projects Funds (Statement 5)	Total Nonmajor Governmental Funds (Exhibit 3)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 89,562	\$ 80,853	\$ 170,415
Investments	19,391	-	19,391
Taxes receivable			
Current	-	215	215
Prior	-	1,517	1,517
Loans receivable	140,205	-	140,205
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b><u>\$ 249,158</u></b>	<b><u>\$ 82,585</u></b>	<b><u>\$ 331,743</u></b>
<b><u>Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Taxes	\$ -	\$ 1,517	\$ 1,517
Loans	140,205	-	140,205
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 140,205</u></b>	<b><u>\$ 1,517</u></b>	<b><u>\$ 141,722</u></b>
<b>Fund Balances</b>			
Restricted for economic development	\$ 108,953	\$ -	\$ 108,953
Assigned to capital outlay	-	81,068	81,068
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<b><u>\$ 108,953</u></b>	<b><u>\$ 81,068</u></b>	<b><u>\$ 190,021</u></b>
<b>Total Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 249,158</u></b>	<b><u>\$ 82,585</u></b>	<b><u>\$ 331,743</u></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, 2023**

	Special Revenue Funds (Statement 4)	Capital Projects Funds (Statement 6)	Total Nonmajor Governmental Funds (Exhibit 5)
<b>Revenues</b>			
Property taxes	\$ -	\$ 9,542	\$ 9,542
Investment earnings	239	-	239
Miscellaneous	11,552	-	11,552
<b>Total Revenues</b>	<b>\$ 11,791</b>	<b>\$ 9,542</b>	<b>\$ 21,333</b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	\$ 10,072	\$ -	\$ 10,072
<b>Capital outlay</b>			
Public safety	-	27,315	27,315
Highways and streets	-	41,751	41,751
<b>Total Expenditures</b>	<b>\$ 10,072</b>	<b>\$ 69,066</b>	<b>\$ 79,138</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,719</b>	<b>\$ (59,524)</b>	<b>\$ (57,805)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	41,280	41,280
<b>Net Change in Fund Balance</b>	<b>\$ 1,719</b>	<b>\$ (18,244)</b>	<b>\$ (16,525)</b>
<b>Fund Balance - January 1</b>	<b>107,234</b>	<b>99,312</b>	<b>206,546</b>
<b>Fund Balance - December 31</b>	<b>\$ 108,953</b>	<b>\$ 81,068</b>	<b>\$ 190,021</b>

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

**Statement 3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2023**

	<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	\$ 20,075	\$ 69,487	\$ 89,562
Investments	19,391	-	19,391
Loans receivable	118,386	21,819	140,205
<b>Total Assets</b>	<b><u>\$ 157,852</u></b>	<b><u>\$ 91,306</u></b>	<b><u>\$ 249,158</u></b>
<b><u>Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Loans	118,386	21,819	140,205
<b>Fund Balances</b>			
Restricted for economic development	39,466	69,487	108,953
<b>Total Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 157,852</u></b>	<b><u>\$ 91,306</u></b>	<b><u>\$ 249,158</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, 2023**

	<u>Loan Pool/EDA</u>	<u>Small Cities Development Grant</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Investment earnings	\$ 239	\$ -	\$ 239
Miscellaneous	11,552	-	11,552
<b>Total Revenues</b>	<b>\$ 11,791</b>	<b>\$ -</b>	<b>\$ 11,791</b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	10,072	-	10,072
<b>Net Change in Fund Balance</b>	<b>\$ 1,719</b>	<b>\$ -</b>	<b>\$ 1,719</b>
<b>Fund Balance - January 1</b>	<b>37,747</b>	<b>69,487</b>	<b>107,234</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 39,466</u></b>	<b><u>\$ 69,487</u></b>	<b><u>\$ 108,953</u></b>



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

**Statement 5**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2023**

	<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	\$ 66,129	\$ 14,724	\$ 80,853
Taxes receivable			
Current	215	-	215
Prior	1,517	-	1,517
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 67,861</u></b>	<b><u>\$ 14,724</u></b>	<b><u>\$ 82,585</u></b>
 <b><u>Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 1,517	\$ -	\$ 1,517
 <b>Fund Balances</b>			
Assigned to capital outlay	66,344	14,724	81,068
	<hr/>	<hr/>	<hr/>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 67,861</u></b>	<b><u>\$ 14,724</u></b>	<b><u>\$ 82,585</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, 2023**

	<u>Long-Term Capital Projects</u>	<u>Lot Incentive Program</u>	<u>Total (Statement 2)</u>
<b>Revenues</b>			
Property taxes	\$ 9,542	\$ -	\$ 9,542
<b>Expenditures</b>			
<b>Capital outlay</b>			
Public safety	\$ 27,315	\$ -	\$ 27,315
Highways and streets	41,751	-	41,751
<b>Total Expenditures</b>	<b>\$ 69,066</b>	<b>\$ -</b>	<b>\$ 69,066</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (59,524)</b>	<b>\$ -</b>	<b>\$ (59,524)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	41,280	-	41,280
<b>Net Change in Fund Balance</b>	<b>\$ (18,244)</b>	<b>\$ -</b>	<b>\$ (18,244)</b>
<b>Fund Balance - January 1</b>	<b>84,588</b>	<b>14,724</b>	<b>99,312</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 66,344</u></b>	<b><u>\$ 14,724</u></b>	<b><u>\$ 81,068</u></b>

## **OTHER SCHEDULES**

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

**Schedule 5**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Shared Revenue**

**State**

Local government aid	\$ 345,558
Market value credit	432
Public safety aid	31,376
Police state aid	17,242
	<hr/>

<b>Total Shared Revenue</b>	<b>\$ 394,608</b>
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**Grants**

**Local**

Norman County	\$ 1,101
	<hr/>

**State**

**Minnesota Department/Board of**

Natural Resources	\$ 44,967
Peace Officer Standards and Training	3,031
Public Safety	550
Transportation	2,100
Trial Courts	562
	<hr/>

<b>Total State</b>	<b>\$ 51,210</b>
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**Federal**

**Department of**

Agriculture	\$ 2,500
	<hr/>

<b>Total Grants</b>	<b>\$ 54,811</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 449,419</b>
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## **MANAGEMENT AND COMPLIANCE SECTION**

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



Hoffman, Philipp, & Martell, PLLC

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

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

City Council  
City of Twin Valley

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twin Valley as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a significant deficiency.

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

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

## **Minnesota Legal Compliance**

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

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

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

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

## **Purpose of this Report**

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



Hoffman, Philipp, & Martell, PLLC  
May 6, 2024

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**Finding Number: 2023-001**

**Prior Year Finding Number(s): 2022-001**

**Repeat Finding Since: 2005**

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

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

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

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

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

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

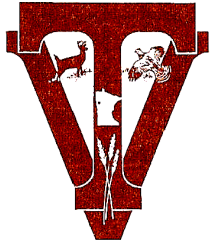
**Recommendation:** Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend the City of Twin Valley formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial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

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



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

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



## CITY OF TWIN VALLEY

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### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2023

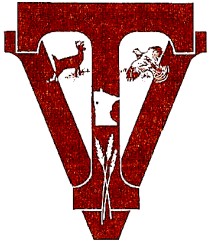
**Finding Number: 2023-001**

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

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

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

**Anticipated Completion Date:** December 31, 2024.



## CITY OF TWIN VALLEY

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### SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2023

**Finding Number: 2022-001**

**Repeat Finding Since: 2005**

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

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

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

**Status:** Not corrected.