

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

YEAR ENDED DECEMBER 31, 2025



Hoffman, Philipp, & Martell, PLLC

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

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TWIN VALLEY, MINNESOTA**

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## **INTRODUCTORY SECTION**

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

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2025**

| <u>City Council</u> | <u>Position</u> | <u>Term Expires</u> |
|---------------------|-----------------|---------------------|
| <b>Elected</b>      |                 |                     |
| Michael Bolton      | Mayor           | December 31, 2026   |
| Tracy Christianson  | Council Member  | December 31, 2028   |
| Tammy Carlsrud      | Council Member  | December 31, 2026   |
| Harold Allrich      | Councilmember   | December 31, 2028   |
| 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**

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, 2025, 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, Minnesota, as of December 31, 2025, 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 Required Supplementary 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 June 17, 2026, 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". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Martell, PLLC  
June 17, 2026



# 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, 2025. 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 \$2,702,215 of which \$1,263,584 is the net investment in capital assets, \$126,311 is restricted for culture and recreation, and economic development, and \$682,320 is unrestricted. The total net position of governmental activities increased by \$220,890 for the year ended December 31, 2025. This is primarily due to additions to capital assets and decreased public safety expenses.

The total net position of business-type activities is \$4,859,378 of which \$2,587,552 is the net investment in capital assets, \$505,754 is restricted for debt service, and \$1,766,072 is unrestricted. The total net position of business-type activities increased by \$505,443 in 2025, primarily due to additions to capital assets for the Sewer Project funded by grants.

At the close of 2025, the City's governmental funds reported combined ending fund balances of \$823,268, a decrease of \$232,310 from the prior year. Of the total fund balance amount, \$126,311 is restricted for economic development and culture and recreation, \$732,755 is assigned for specific purposes, and (\$35,798) is noted as a deficit 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 and the Long-Term Capital Projects Fund, both of which are considered to be major funds. 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 \$6,931,593 at the close of 2025. Approximately 56 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 9 percent of the City's net position is restricted for specific purposes, and 35 percent of the City's net position is unrestricted. The unrestricted net position amount of \$2,448,392 as of December 31, 2025, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$910,721 from the prior year, primarily due to additions to capital assets for equipment, street and sewer projects. Total liabilities decreased by \$51,386 from the prior year, primarily due to a decrease in the net pension liability and the repayment of long-term debt. Deferred outflows of resources and deferred inflows of resources increased by a net amount of \$42,880 related to pension expenses. This resulted in a increased net position of \$726,333 from the prior year.

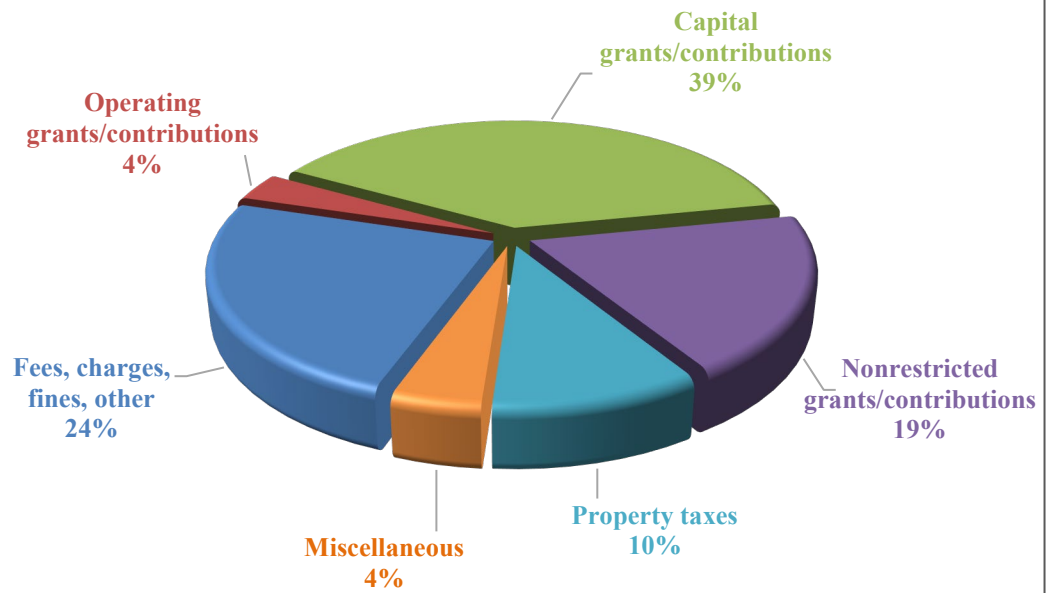
## NET POSITION

|                                   | Governmental Activities |              | Business-Type Activities |              | Total         |               |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
|                                   | 2025                    | 2024         | 2025                     | 2024         | 2025          | 2024          |
| Current and other assets          | \$ 1,158,291            | \$ 1,366,608 | \$ 2,487,188             | \$ 2,418,980 | \$ 3,645,479  | \$ 3,785,588  |
| Capital assets                    | 1,263,584               | 731,032      | 7,383,552                | 6,865,274    | 8,647,136     | 7,596,306     |
| Total assets                      | \$ 2,421,875            | \$ 2,097,640 | \$ 9,870,740             | \$ 9,284,254 | \$ 12,292,615 | \$ 11,381,894 |
| Deferred Outflows - pensions      | \$ 173,973              | \$ 269,857   | \$ 27,765                | \$ 28,328    | \$ 201,738    | \$ 298,185    |
| Other liabilities                 | \$ 31,512               | \$ 26,284    | \$ 36,605                | \$ 78,634    | \$ 68,117     | \$ 104,918    |
| Long-term liabilities outstanding | 85,035                  | 203,886      | 4,911,071                | 4,806,805    | 4,996,106     | 5,010,691     |
| Total liabilities                 | \$ 116,547              | \$ 230,170   | \$ 4,947,676             | \$ 4,885,439 | \$ 5,064,223  | \$ 5,115,609  |
| Deferred Inflows - pensions       | \$ 407,086              | \$ 286,002   | \$ 91,451                | \$ 73,208    | \$ 498,537    | \$ 359,210    |
| Net position                      |                         |              |                          |              |               |               |
| Net investment in capital assets  | \$ 1,263,584            | \$ 731,032   | \$ 2,587,552             | \$ 2,183,319 | \$ 3,851,136  | \$ 2,914,351  |
| Restricted                        | 126,311                 | 112,192      | 505,754                  | 533,285      | 632,065       | 645,477       |
| Unrestricted amounts              | 682,320                 | 1,008,101    | 1,766,072                | 1,637,331    | 2,448,392     | 2,645,432     |
| Total net position                | \$ 2,072,215            | \$ 1,851,325 | \$ 4,859,378             | \$ 4,353,935 | \$ 6,931,593  | \$ 6,205,260  |

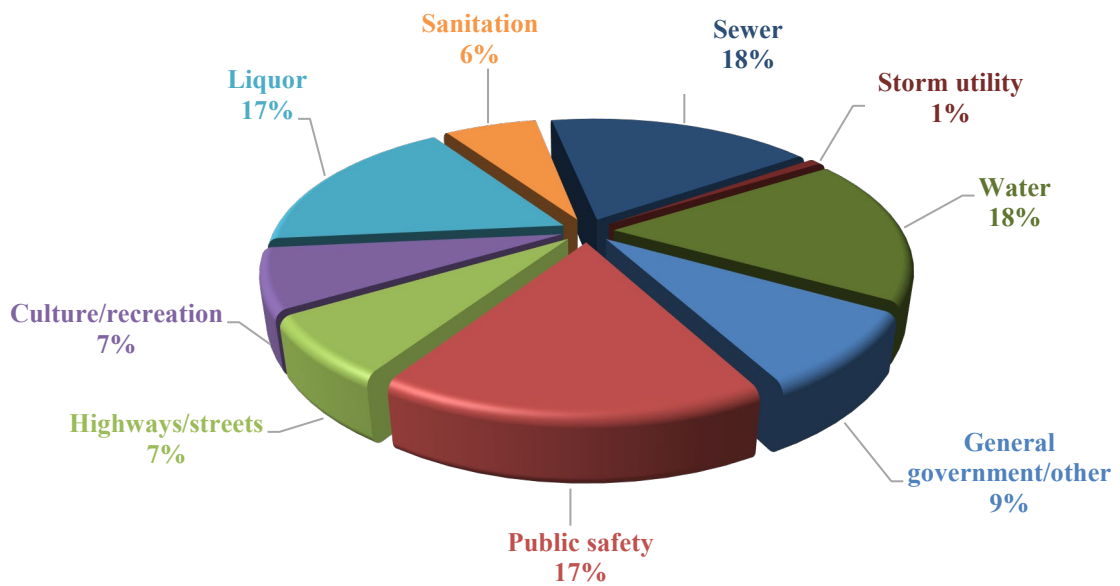
## CHANGES IN NET POSITION

|                                                              | Governmental Activities |              | Business-Type Activities |              | Total        |              |
|--------------------------------------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|                                                              | 2025                    | 2024         | 2025                     | 2024         | 2025         | 2024         |
| Revenues                                                     |                         |              |                          |              |              |              |
| Program Revenues                                             |                         |              |                          |              |              |              |
| Fees, charges, fines and other                               | \$ 87,045               | \$ 62,989    | \$ 790,686               | \$ 783,948   | \$ 877,731   | \$ 846,937   |
| Operating grants and contributions                           | 71,133                  | 45,936       | -                        | -            | 71,133       | 45,936       |
| Capital grants and contributions                             | 92,188                  | -            | 718,490                  | 34,217       | 810,678      | 34,217       |
| General Revenues and Transfers                               |                         |              |                          |              |              |              |
| Property taxes                                               | 211,228                 | 210,317      | -                        | -            | 211,228      | 210,317      |
| Grants and contributions not restricted to specific programs | 379,212                 | 385,958      | 21,967                   | 21,867       | 401,179      | 407,825      |
| Investment earnings                                          | 17,997                  | 15,243       | 3,250                    | 3,257        | 21,247       | 18,500       |
| Miscellaneous                                                | 61,799                  | 59,472       | 8,345                    | 2,388        | 70,144       | 61,860       |
| Transfers                                                    | -                       | 16,500       | -                        | (16,500)     | -            | -            |
| Total revenues                                               | \$ 920,602              | \$ 796,415   | \$ 1,542,738             | \$ 829,177   | \$ 2,463,340 | \$ 1,625,592 |
| Expenses                                                     |                         |              |                          |              |              |              |
| General government                                           | \$ 153,518              | \$ 161,515   | \$ -                     | \$ -         | \$ 153,518   | \$ 161,515   |
| Public safety                                                | 292,664                 | 315,213      | -                        | -            | 292,664      | 315,213      |
| Highways and streets                                         | 123,842                 | 121,862      | -                        | -            | 123,842      | 121,862      |
| Culture and recreation                                       | 123,870                 | 116,267      | -                        | -            | 123,870      | 116,267      |
| Conservation of natural resources                            | 2,428                   | 1,622        | -                        | -            | 2,428        | 1,622        |
| Economic development                                         | 3,390                   | 10,235       | -                        | -            | 3,390        | 10,235       |
| Liquor                                                       | -                       | -            | 298,952                  | 292,968      | 298,952      | 292,968      |
| Sanitation                                                   | -                       | -            | 109,358                  | 87,887       | 109,358      | 87,887       |
| Sewer                                                        | -                       | -            | 313,947                  | 222,914      | 313,947      | 222,914      |
| Storm utility                                                | -                       | -            | 13,139                   | 13,834       | 13,139       | 13,834       |
| Water                                                        | -                       | -            | 301,899                  | 287,861      | 301,899      | 287,861      |
| Total expenses                                               | \$ 699,712              | \$ 726,714   | \$ 1,037,295             | \$ 905,464   | \$ 1,737,007 | \$ 1,632,178 |
| Increase (decrease) in net position                          | \$ 220,890              | \$ 69,701    | \$ 505,443               | \$ (76,287)  | \$ 726,333   | \$ (6,586)   |
| Net position, January 1                                      | 1,851,325               | 1,781,624    | 4,353,935                | 4,430,222    | 6,205,260    | 6,211,846    |
| Net position, December 31                                    | \$ 2,072,215            | \$ 1,851,325 | \$ 4,859,378             | \$ 4,353,935 | \$ 6,931,593 | \$ 6,205,260 |

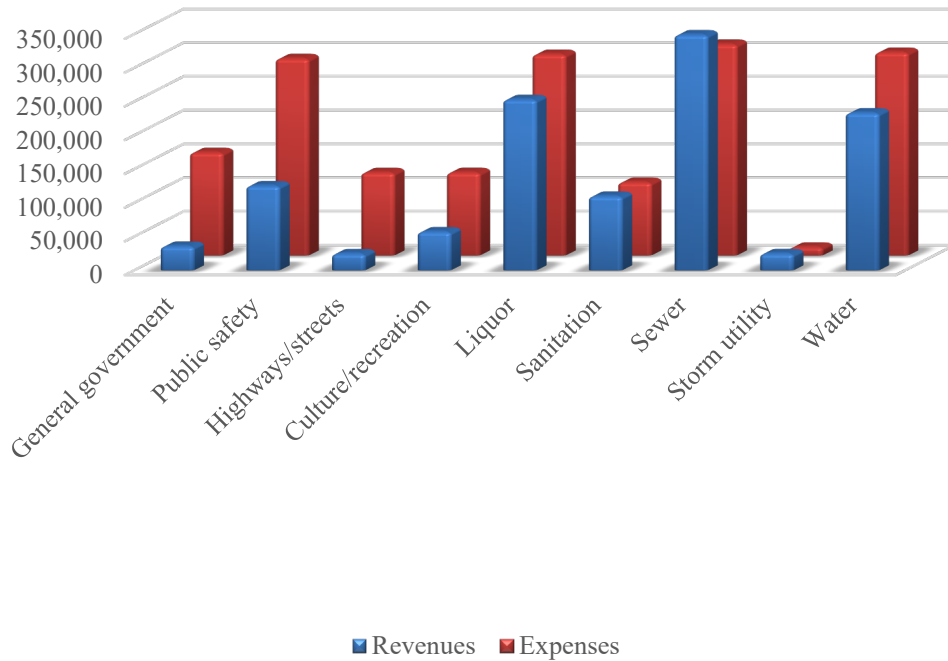
## Revenues by Source



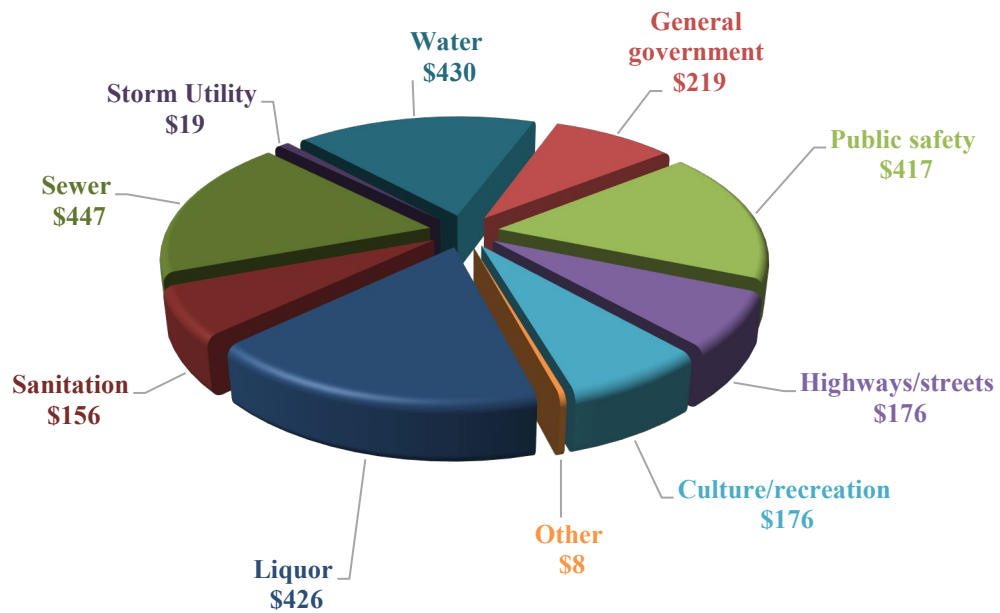
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 702 Population as of 2025



## **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 2025, the City's governmental funds reported combined ending fund balances of \$823,268. Of this amount, 15 percent constitutes legally or contractually restricted fund balance, 89 percent constitutes specifically assigned fund balance, and (4) 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 \$732,976. The restricted fund balance was \$221 and assigned fund balance was \$732,755. 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 2025. Total fund balance represents approximately 75 percent of total General Fund expenditures.

In 2025, the fund balance amount in the General Fund decreased by \$130,567, due to capital expenditures for the Herold Court Paving Project and a transfer out to the Long-Term Capital Projects Fund.

In 2025, the fund balance amount of the Long-Term Capital Projects Fund decreased by \$100,917, due to capital expenditures for public safety equipment and the Herold Court Paving Project.

### **Proprietary Funds**

The Liquor Enterprise Fund reported an operating loss in 2025 of \$44,892, primarily due to expenses including depreciation in excess of revenues.

The Sanitation Enterprise Fund reported an operating income in 2025 of \$1,418, indicating that the fund is collecting fees at a rate consistent with costs.

The Sewer Enterprise Fund reported an operating loss in 2025 of \$10,375, indicating that it is not collecting fees for services at a rate above costs.

The Water Enterprise Fund reported an operating loss in 2025 of \$55,083, 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 2025.

Actual revenues were more than overall budgeted revenues by \$132,948, with the largest variance in intergovernmental revenue. Actual expenditures were more than overall final budgeted expenditures by \$231,792, with the largest variance in capital outlay.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, amounted to \$8,647,136 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 12 percent. This increase was primarily due to additions to infrastructure for the Sewer Project and Herold Court Paving Project.

|                            | Governmental Activities |                   | Business-Type Activities |                     | Total               |                     |
|----------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                            | 2025                    | 2024              | 2025                     | 2024                | 2025                | 2024                |
| Land                       | \$ 54,136               | \$ 56,839         | \$ 46,816                | \$ 46,816           | \$ 100,952          | \$ 103,655          |
| Construction in progress   | -                       | -                 | 3,672,807                | 2,929,033           | 3,672,807           | 2,929,033           |
| Infrastructure             | 659,049                 | 247,990           | 3,503,378                | 3,708,874           | 4,162,427           | 3,956,864           |
| Buildings and improvements | 238,060                 | 243,055           | 109,738                  | 123,516             | 347,798             | 366,571             |
| Land improvements          | 600                     | 1,200             | 37,758                   | 40,905              | 38,358              | 42,105              |
| Machinery and equipment    | 311,739                 | 181,948           | 13,055                   | 16,130              | 324,794             | 198,078             |
| Total capital assets       | <u>\$ 1,263,584</u>     | <u>\$ 731,032</u> | <u>\$ 7,383,552</u>      | <u>\$ 6,865,274</u> | <u>\$ 8,647,136</u> | <u>\$ 7,596,306</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 \$4,796,000 which is backed by the full faith and credit of the government.

|                                                           | Business Type Activities |                     |
|-----------------------------------------------------------|--------------------------|---------------------|
|                                                           | 2025                     | 2024                |
| Minnesota PFA<br>Drinking Water State Revolving Funds     | \$ 245,000               | \$ 254,000          |
| G.O. Utility Revenue and Refunding<br>Bonds, Series 2019B | 1,673,000                | 1,747,000           |
| Minnesota Rural Water<br>Temporary Loan, Series 2024      | -                        | 2,680,955           |
| USDA G.O. Revenue Bonds,<br>Series 2025A                  | 2,108,000                | -                   |
| USDA G.O. Revenue Bonds,<br>Series 2025B                  | 770,000                  | -                   |
|                                                           | <u>\$ 4,796,000</u>      | <u>\$ 4,681,955</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 2025, 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 4.5 percent as of December 31, 2025. This is higher than the statewide rate of 4.3 percent and the national average rate of 4.1 percent.
- Twin Valley's 2025 population per the League of Minnesota Cities was 702, a decrease of 21 since the 2020 census of 723.
- On December 8, 2025, the City of Twin Valley set its 2026 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, 2025**

|                                               | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
|-----------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b><u>Assets</u></b>                          |                                    |                                     |                      |
| Cash and pooled investments                   | \$ 311,038                         | \$ 1,740,427                        | \$ 2,051,465         |
| Investments                                   | 518,160                            | 82,571                              | 600,731              |
| Taxes receivable                              |                                    |                                     |                      |
| Current                                       | 13,552                             | 1,362                               | 14,914               |
| Prior                                         | 17,236                             | 1,829                               | 19,065               |
| Special assessments receivable                |                                    |                                     |                      |
| Current                                       | -                                  | 4,824                               | 4,824                |
| Prior                                         | 109                                | 15,688                              | 15,797               |
| Accounts receivable                           | 10,429                             | 62,071                              | 72,500               |
| Loans receivable                              | 97,853                             | -                                   | 97,853               |
| Due from other governments                    | -                                  | 14,706                              | 14,706               |
| Inventories                                   | -                                  | 56,447                              | 56,447               |
| Prepaid items                                 | 1,601                              | 1,509                               | 3,110                |
| Special assessments receivable - noncurrent   | -                                  | 505,754                             | 505,754              |
| Net pension asset                             | 188,313                            | -                                   | 188,313              |
| Capital assets                                |                                    |                                     |                      |
| Non-depreciable                               | 54,136                             | 3,719,623                           | 3,773,759            |
| Depreciable - net of accumulated depreciation | 1,209,448                          | 3,663,929                           | 4,873,377            |
| <b>Total Assets</b>                           | <b>\$ 2,421,875</b>                | <b>\$ 9,870,740</b>                 | <b>\$ 12,292,615</b> |
| <b><u>Deferred Outflows of Resources</u></b>  |                                    |                                     |                      |
| Related to pensions                           | \$ 173,973                         | \$ 27,765                           | \$ 201,738           |
| <b><u>Liabilities</u></b>                     |                                    |                                     |                      |
| Accounts payable                              | \$ 8,972                           | \$ 24,766                           | \$ 33,738            |
| Salaries payable                              | 20,140                             | 5,653                               | 25,793               |
| Due to other governments                      | -                                  | 6,186                               | 6,186                |
| Customer deposits                             | 2,400                              | -                                   | 2,400                |
| Long-term liabilities                         |                                    |                                     |                      |
| Due within one year                           | 5,850                              | 138,786                             | 144,636              |
| Due in more than one year                     | 9,849                              | 4,681,544                           | 4,691,393            |
| Net pension liability                         | 69,336                             | 90,741                              | 160,077              |
| <b>Total Liabilities</b>                      | <b>\$ 116,547</b>                  | <b>\$ 4,947,676</b>                 | <b>\$ 5,064,223</b>  |
| <b><u>Deferred Inflows of Resources</u></b>   |                                    |                                     |                      |
| Related to pensions                           | \$ 407,086                         | \$ 91,451                           | \$ 498,537           |
| <b><u>Net Position</u></b>                    |                                    |                                     |                      |
| Net investment in capital assets              | \$ 1,263,584                       | \$ 2,587,552                        | \$ 3,851,136         |
| Amounts restricted for                        |                                    |                                     |                      |
| Debt service                                  | -                                  | 505,754                             | 505,754              |
| Culture and recreation                        | 221                                | -                                   | 221                  |
| Economic development                          | 126,090                            | -                                   | 126,090              |
| Unrestricted amounts                          | 682,320                            | 1,766,072                           | 2,448,392            |
| <b>Total Net Position</b>                     | <b>\$ 2,072,215</b>                | <b>\$ 4,859,378</b>                 | <b>\$ 6,931,593</b>  |

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                       |                     | <b>Program Revenues</b>                   |                                                   |
|---------------------------------------|---------------------|-------------------------------------------|---------------------------------------------------|
|                                       |                     | <b>Fees, Charges,<br/>Fines and Other</b> | <b>Operating<br/>Grants and<br/>Contributions</b> |
|                                       | <b>Expenses</b>     |                                           |                                                   |
| <b><u>Functions/Programs</u></b>      |                     |                                           |                                                   |
| <b>Governmental activities</b>        |                     |                                           |                                                   |
| General government                    | \$ 153,518          | \$ 34,567                                 | \$ 2,040                                          |
| Public safety                         | 292,664             | 29,675                                    | 34,704                                            |
| Highways and streets                  | 123,842             | -                                         | -                                                 |
| Culture and recreation                | 123,870             | 18,962                                    | 34,389                                            |
| Conservation of natural resources     | 2,428               | -                                         | -                                                 |
| Economic development                  | 3,390               | 3,841                                     | -                                                 |
| <b>Total governmental activities</b>  | <b>\$ 699,712</b>   | <b>\$ 87,045</b>                          | <b>\$ 71,133</b>                                  |
| <b>Business-type activities</b>       |                     |                                           |                                                   |
| Liquor                                | \$ 298,952          | \$ 257,145                                | \$ -                                              |
| Sanitation                            | 109,358             | 110,776                                   | -                                                 |
| Sewer                                 | 313,947             | 183,284                                   | -                                                 |
| Storm utility                         | 13,139              | 24,660                                    | -                                                 |
| Water                                 | 301,899             | 214,821                                   | -                                                 |
| <b>Total business-type activities</b> | <b>\$ 1,037,295</b> | <b>\$ 790,686</b>                         | <b>\$ -</b>                                       |
| <b>Total</b>                          | <b>\$ 1,737,007</b> | <b>\$ 877,731</b>                         | <b>\$ 71,133</b>                                  |

**General revenues**

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

**Total general revenues**

**Change in net position**

**Net Position - January 1**

**Net Position - December 31**

**EXHIBIT 2**

| Capital<br>Grants and<br>Contributions | Net (Expense) Revenue and Changes in Net Position |                             |                     |
|----------------------------------------|---------------------------------------------------|-----------------------------|---------------------|
|                                        | Governmental<br>Activities                        | Business-type<br>Activities | Total               |
| \$ -                                   | \$ (116,911)                                      | \$ -                        | \$ (116,911)        |
| 61,902                                 | (166,383)                                         | -                           | (166,383)           |
| 25,586                                 | (98,256)                                          | -                           | (98,256)            |
| 4,700                                  | (65,819)                                          | -                           | (65,819)            |
| -                                      | (2,428)                                           | -                           | (2,428)             |
| -                                      | 451                                               | -                           | 451                 |
| <b>\$ 92,188</b>                       | <b>\$ (449,346)</b>                               | <b>\$ -</b>                 | <b>\$ (449,346)</b> |
| \$ -                                   | \$ -                                              | \$ (41,807)                 | \$ (41,807)         |
| -                                      | -                                                 | 1,418                       | 1,418               |
| 698,006                                | -                                                 | 567,343                     | 567,343             |
| 1,073                                  | -                                                 | 12,594                      | 12,594              |
| 19,411                                 | -                                                 | (67,667)                    | (67,667)            |
| <b>\$ 718,490</b>                      | <b>\$ -</b>                                       | <b>\$ 471,881</b>           | <b>\$ 471,881</b>   |
| <b>\$ 810,678</b>                      | <b>\$ (449,346)</b>                               | <b>\$ 471,881</b>           | <b>\$ 22,535</b>    |
|                                        | \$ 211,228                                        | \$ -                        | \$ 211,228          |
|                                        | 379,212                                           | 21,967                      | 401,179             |
|                                        | 17,997                                            | 3,250                       | 21,247              |
|                                        | 61,799                                            | 8,345                       | 70,144              |
|                                        | <b>\$ 670,236</b>                                 | <b>\$ 33,562</b>            | <b>\$ 703,798</b>   |
|                                        | <b>\$ 220,890</b>                                 | <b>\$ 505,443</b>           | <b>\$ 726,333</b>   |
|                                        | <b>1,851,325</b>                                  | <b>4,353,935</b>            | <b>6,205,260</b>    |
|                                        | <b>\$ 2,072,215</b>                               | <b>\$ 4,859,378</b>         | <b>\$ 6,931,593</b> |

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

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2025**

|                                                                                 | <u>General Fund</u>      | <u>Long-Term<br/>Capital Projects</u> | <u>Other<br/>Governmental<br/>Funds<br/>(Statement 1)</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------------------------------------------------|--------------------------|---------------------------------------|-----------------------------------------------------------|-----------------------------------------|
| <b><u>Assets</u></b>                                                            |                          |                                       |                                                           |                                         |
| Cash and pooled investments                                                     | \$ 205,622               | \$ -                                  | \$ 105,416                                                | \$ 311,038                              |
| Investments                                                                     | 497,486                  | -                                     | 20,674                                                    | 518,160                                 |
| Taxes receivable                                                                |                          |                                       |                                                           |                                         |
| Current                                                                         | 12,933                   | 619                                   | -                                                         | 13,552                                  |
| Prior                                                                           | 16,404                   | 832                                   | -                                                         | 17,236                                  |
| Special assessments receivable                                                  |                          |                                       |                                                           |                                         |
| Prior                                                                           | 109                      | -                                     | -                                                         | 109                                     |
| Accounts receivable                                                             | 10,429                   | -                                     | -                                                         | 10,429                                  |
| Loans receivable                                                                | -                        | -                                     | 97,853                                                    | 97,853                                  |
| Due from other funds                                                            | 36,417                   | -                                     | -                                                         | 36,417                                  |
| Prepaid items                                                                   | 1,601                    | -                                     | -                                                         | 1,601                                   |
| <b>Total Assets</b>                                                             | <b><u>\$ 781,001</u></b> | <b><u>\$ 1,451</u></b>                | <b><u>\$ 223,943</u></b>                                  | <b><u>\$ 1,006,395</u></b>              |
| <b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                          |                                       |                                                           |                                         |
| <b>Liabilities</b>                                                              |                          |                                       |                                                           |                                         |
| Accounts payable                                                                | \$ 8,972                 | \$ -                                  | \$ -                                                      | \$ 8,972                                |
| Salaries payable                                                                | 20,140                   | -                                     | -                                                         | 20,140                                  |
| Due to other funds                                                              | -                        | 36,417                                | -                                                         | 36,417                                  |
| Customer deposits                                                               | 2,400                    | -                                     | -                                                         | 2,400                                   |
| <b>Total Liabilities</b>                                                        | <b><u>\$ 31,512</u></b>  | <b><u>\$ 36,417</u></b>               | <b><u>\$ -</u></b>                                        | <b><u>\$ 67,929</u></b>                 |
| <b>Deferred Inflows of Resources</b>                                            |                          |                                       |                                                           |                                         |
| Taxes                                                                           | \$ 16,404                | \$ 832                                | \$ -                                                      | \$ 17,236                               |
| Loans                                                                           | -                        | -                                     | 97,853                                                    | 97,853                                  |
| Special assessments                                                             | 109                      | -                                     | -                                                         | 109                                     |
| <b>Total Deferred Inflows of Resources</b>                                      | <b><u>\$ 16,513</u></b>  | <b><u>\$ 832</u></b>                  | <b><u>\$ 97,853</u></b>                                   | <b><u>\$ 115,198</u></b>                |
| <b>Fund Balances</b>                                                            |                          |                                       |                                                           |                                         |
| Restricted for                                                                  |                          |                                       |                                                           |                                         |
| Economic development                                                            | \$ -                     | \$ -                                  | \$ 126,090                                                | \$ 126,090                              |
| Culture and recreation                                                          | 221                      | -                                     | -                                                         | 221                                     |
| Assigned to                                                                     |                          |                                       |                                                           |                                         |
| General government                                                              | 205,586                  | -                                     | -                                                         | 205,586                                 |
| Public safety                                                                   | 84,489                   | -                                     | -                                                         | 84,489                                  |
| Highways and streets                                                            | 407,761                  | -                                     | -                                                         | 407,761                                 |
| Culture and recreation                                                          | 34,919                   | -                                     | -                                                         | 34,919                                  |
| Unassigned                                                                      | -                        | (35,798)                              | -                                                         | (35,798)                                |
| <b>Total Fund Balances</b>                                                      | <b><u>\$ 732,976</u></b> | <b><u>\$ (35,798)</u></b>             | <b><u>\$ 126,090</u></b>                                  | <b><u>\$ 823,268</u></b>                |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b>  | <b><u>\$ 781,001</u></b> | <b><u>\$ 1,451</u></b>                | <b><u>\$ 223,943</u></b>                                  | <b><u>\$ 1,006,395</u></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, 2025**

|                                                                                                                                                                             |                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b>Fund balances - total governmental funds (Exhibit 3)</b>                                                                                                                 | <b>\$ 823,268</b>          |
| Amounts reported for governmental activities in the<br>Statement of Net Position are different because:                                                                     |                            |
| Capital assets, net of accumulated depreciation, used in governmental activities<br>are not financial resources and, therefore, are not reported in the governmental funds. | 1,263,584                  |
| Other long-term assets are not available to pay for current-period expenditures<br>and, therefore, are deferred in the governmental funds.                                  | 303,511                    |
| Deferred outflows of resources are not available resources and, therefore<br>are not reported in the governmental funds:                                                    |                            |
| Deferred outflows of resources related to pensions                                                                                                                          | 173,973                    |
| Long-term liabilities, including bonds payable, are not due and payable in the<br>current period and, therefore, are not reported in the governmental funds.                |                            |
| Compensated absences                                                                                                                                                        | \$ (15,699)                |
| Net pension liability                                                                                                                                                       | <u>(69,336)</u>            |
|                                                                                                                                                                             | (85,035)                   |
| Deferred inflows of resources are not due and payable in the current period and,<br>therefore, are not reported in the governmental funds:                                  |                            |
| Deferred inflows of resources related to pensions                                                                                                                           | <u>(407,086)</u>           |
| <b>Net position of governmental activities (Exhibit 1)</b>                                                                                                                  | <b><u>\$ 2,072,215</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, 2025**

|                                                         | General Fund        | Long-Term<br>Capital Projects | Other<br>Governmental<br>Funds<br>(Statement 2) | Total<br>Governmental<br>Funds |
|---------------------------------------------------------|---------------------|-------------------------------|-------------------------------------------------|--------------------------------|
| <b>Revenues</b>                                         |                     |                               |                                                 |                                |
| Property taxes                                          | \$ 207,674          | \$ 10,342                     | \$ -                                            | \$ 218,016                     |
| Special assessments                                     | 25,622              | -                             | -                                               | 25,622                         |
| Licenses and permits                                    | 3,765               | -                             | -                                               | 3,765                          |
| Intergovernmental                                       | 505,428             | -                             | -                                               | 505,428                        |
| Charges for services                                    | 63,175              | -                             | -                                               | 63,175                         |
| Gifts and contributions                                 | 11,519              | -                             | -                                               | 11,519                         |
| Investment earnings                                     | 17,346              | -                             | 651                                             | 17,997                         |
| Miscellaneous                                           | 77,045              | -                             | 13,934                                          | 90,979                         |
| <b>Total Revenues</b>                                   | <b>\$ 911,574</b>   | <b>\$ 10,342</b>              | <b>\$ 14,585</b>                                | <b>\$ 936,501</b>              |
| <b>Expenditures</b>                                     |                     |                               |                                                 |                                |
| <b>Current</b>                                          |                     |                               |                                                 |                                |
| General government                                      | \$ 147,253          | \$ -                          | \$ -                                            | \$ 147,253                     |
| Public safety                                           | 225,872             | -                             | -                                               | 225,872                        |
| Highways and streets                                    | 95,745              | -                             | -                                               | 95,745                         |
| Culture and recreation                                  | 108,504             | -                             | -                                               | 108,504                        |
| Conservation of natural resources                       | 2,428               | -                             | -                                               | 2,428                          |
| Economic development                                    | -                   | -                             | 687                                             | 687                            |
| <b>Capital outlay</b>                                   |                     |                               |                                                 |                                |
| Public safety                                           | 12,434              | 127,448                       | -                                               | 139,882                        |
| Highways and streets                                    | 385,182             | 57,258                        | -                                               | 442,440                        |
| Culture and recreation                                  | 6,000               | -                             | -                                               | 6,000                          |
| <b>Total Expenditures</b>                               | <b>\$ 983,418</b>   | <b>\$ 184,706</b>             | <b>\$ 687</b>                                   | <b>\$ 1,168,811</b>            |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>\$ (71,844)</b>  | <b>\$ (174,364)</b>           | <b>\$ 13,898</b>                                | <b>\$ (232,310)</b>            |
| <b>Other Financing Sources (Uses)</b>                   |                     |                               |                                                 |                                |
| Transfers in                                            | \$ 14,724           | \$ 73,447                     | \$ -                                            | \$ 88,171                      |
| Transfers out                                           | (73,447)            | -                             | (14,724)                                        | (88,171)                       |
| <b>Total Other Financing Sources (Uses)</b>             | <b>\$ (58,723)</b>  | <b>\$ 73,447</b>              | <b>\$ (14,724)</b>                              | <b>\$ -</b>                    |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (130,567)</b> | <b>\$ (100,917)</b>           | <b>\$ (826)</b>                                 | <b>\$ (232,310)</b>            |
| <b>Fund Balance - January 1</b>                         | <b>863,543</b>      | <b>65,119</b>                 | <b>126,916</b>                                  | <b>1,055,578</b>               |
| <b>Fund Balance - December 31</b>                       | <b>\$ 732,976</b>   | <b>\$ (35,798)</b>            | <b>\$ 126,090</b>                               | <b>\$ 823,268</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, 2025**

|                                                                           |           |                  |
|---------------------------------------------------------------------------|-----------|------------------|
| <b>Net change in fund balances - total governmental funds (Exhibit 5)</b> | <b>\$</b> | <b>(232,310)</b> |
|---------------------------------------------------------------------------|-----------|------------------|

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 | \$ | 588,322        |         |
| Current year depreciation                                  |    | (53,067)       |         |
| Net book value of assets disposed                          |    | <u>(2,703)</u> | 532,552 |

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

|                                |    |                 |          |
|--------------------------------|----|-----------------|----------|
| Change in                      |    |                 |          |
| Taxes receivable               | \$ | (6,788)         |          |
| Special assessments receivable |    | (36)            |          |
| Loans receivable               |    | <u>(10,093)</u> | (16,917) |

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                                    | \$ | (1,471)          |          |
| Net pension asset                                               |    | 35,682           |          |
| Net pension liability                                           |    | 120,322          |          |
| Deferred outflows of resources related to net pension liability |    | (95,884)         |          |
| Deferred inflows of resources related to net pension liability  |    | <u>(121,084)</u> | (62,435) |

|                                                                      |           |                       |
|----------------------------------------------------------------------|-----------|-----------------------|
| <b>Change in net position of governmental activities (Exhibit 2)</b> | <b>\$</b> | <b><u>220,890</u></b> |
|----------------------------------------------------------------------|-----------|-----------------------|

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

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2025**

|                                               | Liquor<br>Enterprise | Sanitation<br>Enterprise | Sewer<br>Enterprise | Water<br>Enterprise | Nonmajor<br>Storm Utility<br>Enterprise | Total               |
|-----------------------------------------------|----------------------|--------------------------|---------------------|---------------------|-----------------------------------------|---------------------|
| <b><u>Assets</u></b>                          |                      |                          |                     |                     |                                         |                     |
| <b>Current Assets</b>                         |                      |                          |                     |                     |                                         |                     |
| Cash and pooled investments                   | \$ 125,167           | \$ 152,622               | \$ 402,372          | \$ 800,972          | \$ 259,294                              | \$ 1,740,427        |
| Investments                                   | 82,571               | -                        | -                   | -                   | -                                       | 82,571              |
| Taxes receivable                              |                      |                          |                     |                     |                                         |                     |
| Current                                       | -                    | -                        | 817                 | 204                 | 341                                     | 1,362               |
| Prior                                         | -                    | -                        | 640                 | 1,189               | -                                       | 1,829               |
| Special assessments receivable                |                      |                          |                     |                     |                                         |                     |
| Current                                       | -                    | -                        | 1,967               | 2,579               | 278                                     | 4,824               |
| Prior                                         | -                    | 229                      | 5,535               | 9,839               | 85                                      | 15,688              |
| Accounts receivable                           | -                    | 12,958                   | 19,548              | 27,217              | 2,348                                   | 62,071              |
| Due from other governments                    | -                    | -                        | 14,706              | -                   | -                                       | 14,706              |
| Inventories                                   | 56,447               | -                        | -                   | -                   | -                                       | 56,447              |
| Prepaid items                                 | 1,509                | -                        | -                   | -                   | -                                       | 1,509               |
| <b>Total Current Assets</b>                   | <b>\$ 265,694</b>    | <b>\$ 165,809</b>        | <b>\$ 445,585</b>   | <b>\$ 842,000</b>   | <b>\$ 262,346</b>                       | <b>\$ 1,981,434</b> |
| <b>Noncurrent Assets</b>                      |                      |                          |                     |                     |                                         |                     |
| Special assessments receivable                | \$ -                 | \$ -                     | \$ 160,260          | \$ 345,494          | \$ -                                    | \$ 505,754          |
| Capital assets                                |                      |                          |                     |                     |                                         |                     |
| Non-depreciable                               | 10,000               | -                        | 3,690,893           | 7,000               | 11,730                                  | 3,719,623           |
| Depreciable - net of accumulated depreciation | 95,469               | -                        | 1,021,177           | 2,137,778           | 409,505                                 | 3,663,929           |
| <b>Total Noncurrent Assets</b>                | <b>\$ 105,469</b>    | <b>\$ -</b>              | <b>\$ 4,872,330</b> | <b>\$ 2,490,272</b> | <b>\$ 421,235</b>                       | <b>\$ 7,889,306</b> |
| <b>Total Assets</b>                           | <b>\$ 371,163</b>    | <b>\$ 165,809</b>        | <b>\$ 5,317,915</b> | <b>\$ 3,332,272</b> | <b>\$ 683,581</b>                       | <b>\$ 9,870,740</b> |
| <b><u>Deferred Outflows of Resources</u></b>  |                      |                          |                     |                     |                                         |                     |
| Related to pensions                           | \$ 13,883            | \$ -                     | \$ 6,941            | \$ 6,941            | \$ -                                    | \$ 27,765           |
| <b><u>Liabilities</u></b>                     |                      |                          |                     |                     |                                         |                     |
| <b>Current Liabilities</b>                    |                      |                          |                     |                     |                                         |                     |
| Accounts payable                              | \$ 12,475            | \$ 8,493                 | \$ 1,098            | \$ 2,700            | \$ -                                    | \$ 24,766           |
| Salaries payable                              | 3,747                | -                        | 953                 | 953                 | -                                       | 5,653               |
| Compensated absences payable                  | 3,377                | -                        | 3,477               | 3,477               | -                                       | 10,331              |
| Due to other governments                      | 4,710                | 1,358                    | -                   | 118                 | -                                       | 6,186               |
| MN PFA Loans payable                          | -                    | -                        | -                   | 9,000               | -                                       | 9,000               |
| 2019 Utility Revenue Refunding Bonds payable  | -                    | -                        | 25,900              | 48,100              | -                                       | 74,000              |
| G.O. Revenue Bonds Payable                    | -                    | -                        | 45,455              | -                   | -                                       | 45,455              |
| <b>Total Current Liabilities</b>              | <b>\$ 24,309</b>     | <b>\$ 9,851</b>          | <b>\$ 76,883</b>    | <b>\$ 64,348</b>    | <b>\$ -</b>                             | <b>\$ 175,391</b>   |
| <b>Noncurrent Liabilities</b>                 |                      |                          |                     |                     |                                         |                     |
| Compensated absences payable                  | \$ 709               | \$ -                     | \$ 6,645            | \$ 6,645            | \$ -                                    | \$ 13,999           |
| Net pension liability                         | 45,371               | -                        | 22,685              | 22,685              | -                                       | 90,741              |
| MN PFA Loans payable                          | -                    | -                        | -                   | 236,000             | -                                       | 236,000             |
| 2019 Utility Revenue Refunding Bonds payable  | -                    | -                        | 559,650             | 1,039,350           | -                                       | 1,599,000           |
| G.O. Revenue Bonds Payable                    | -                    | -                        | 2,832,545           | -                   | -                                       | 2,832,545           |
| <b>Total Noncurrent Liabilities</b>           | <b>\$ 46,080</b>     | <b>\$ -</b>              | <b>\$ 3,421,525</b> | <b>\$ 1,304,680</b> | <b>\$ -</b>                             | <b>\$ 4,772,285</b> |
| <b>Total Liabilities</b>                      | <b>\$ 70,389</b>     | <b>\$ 9,851</b>          | <b>\$ 3,498,408</b> | <b>\$ 1,369,028</b> | <b>\$ -</b>                             | <b>\$ 4,947,676</b> |

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

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2025**

|                                             | <u>Liquor<br/>Enterprise</u> | <u>Sanitation<br/>Enterprise</u> | <u>Sewer<br/>Enterprise</u> | <u>Water<br/>Enterprise</u> | <u>Nonmajor<br/>Storm Utility<br/>Enterprise</u> | <u>Total</u>               |
|---------------------------------------------|------------------------------|----------------------------------|-----------------------------|-----------------------------|--------------------------------------------------|----------------------------|
| <b><u>Deferred Inflows of Resources</u></b> |                              |                                  |                             |                             |                                                  |                            |
| Related to pensions                         | \$ 45,725                    | \$ -                             | \$ 22,863                   | \$ 22,863                   | \$ -                                             | \$ 91,451                  |
| <b><u>Net Position</u></b>                  |                              |                                  |                             |                             |                                                  |                            |
| Net investment in capital assets            | \$ 105,469                   | \$ -                             | \$ 1,248,520                | \$ 812,328                  | \$ 421,235                                       | \$ 2,587,552               |
| Amounts restricted for debt service         | -                            | -                                | 160,260                     | 345,494                     | -                                                | 505,754                    |
| Unrestricted amounts                        | 163,463                      | 155,958                          | 394,805                     | 789,500                     | 262,346                                          | 1,766,072                  |
| <b>Total Net Position</b>                   | <b><u>\$ 268,932</u></b>     | <b><u>\$ 155,958</u></b>         | <b><u>\$ 1,803,585</u></b>  | <b><u>\$ 1,947,322</u></b>  | <b><u>\$ 683,581</u></b>                         | <b><u>\$ 4,859,378</u></b> |

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

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                                      | <b>Liquor<br/>Enterprise</b> | <b>Sanitation<br/>Enterprise</b> | <b>Sewer<br/>Enterprise</b> | <b>Water<br/>Enterprise</b> | <b>Nonmajor<br/>Storm Utility<br/>Enterprise</b> | <b>Total</b>        |
|------------------------------------------------------|------------------------------|----------------------------------|-----------------------------|-----------------------------|--------------------------------------------------|---------------------|
| <b>Sales and Cost of Goods Sold</b>                  |                              |                                  |                             |                             |                                                  |                     |
| Sales                                                | \$ 625,509                   | \$ -                             | \$ -                        | \$ -                        | \$ -                                             | \$ 625,509          |
| Cost of goods sold                                   | (372,752)                    | -                                | -                           | -                           | -                                                | (372,752)           |
| <b>Gross Profit</b>                                  | <b>\$ 252,757</b>            | <b>\$ -</b>                      | <b>\$ -</b>                 | <b>\$ -</b>                 | <b>\$ -</b>                                      | <b>\$ 252,757</b>   |
| <b>Operating Revenues</b>                            |                              |                                  |                             |                             |                                                  |                     |
| Charges for services                                 | \$ -                         | \$ 110,776                       | \$ 183,284                  | \$ 214,821                  | \$ 24,660                                        | \$ 533,541          |
| Rental income                                        | 1,303                        | -                                | -                           | -                           | -                                                | 1,303               |
| <b>Total Operating Revenues</b>                      | <b>\$ 1,303</b>              | <b>\$ 110,776</b>                | <b>\$ 183,284</b>           | <b>\$ 214,821</b>           | <b>\$ 24,660</b>                                 | <b>\$ 534,844</b>   |
| <b>Total Gross Profit and<br/>Operating Revenues</b> | <b>\$ 254,060</b>            | <b>\$ 110,776</b>                | <b>\$ 183,284</b>           | <b>\$ 214,821</b>           | <b>\$ 24,660</b>                                 | <b>\$ 787,601</b>   |
| <b>Operating Expenses</b>                            |                              |                                  |                             |                             |                                                  |                     |
| Personnel services                                   | \$ 179,224                   | \$ -                             | \$ 84,200                   | \$ 83,843                   | \$ -                                             | \$ 347,267          |
| Professional services                                | 22,290                       | -                                | 5,141                       | 15,147                      | -                                                | 42,578              |
| Contracted services                                  | -                            | 105,964                          | 973                         | -                           | -                                                | 106,937             |
| Administration                                       | 3,005                        | -                                | -                           | -                           | -                                                | 3,005               |
| Advertising                                          | 10,923                       | -                                | -                           | -                           | -                                                | 10,923              |
| Insurance                                            | 10,303                       | -                                | 5,657                       | 7,128                       | -                                                | 23,088              |
| Operating supplies                                   | 17,705                       | -                                | 1,721                       | 4,795                       | -                                                | 24,221              |
| Other service and charges                            | -                            | 3,394                            | -                           | -                           | -                                                | 3,394               |
| Repairs and maintenance                              | 9,377                        | -                                | 8,755                       | 22,593                      | -                                                | 40,725              |
| Utilities                                            | 21,909                       | -                                | 4,784                       | 17,694                      | -                                                | 44,387              |
| Miscellaneous                                        | 8,000                        | -                                | 1,600                       | 3,319                       | 72                                               | 12,991              |
| Depreciation                                         | 16,216                       | -                                | 80,828                      | 115,385                     | 13,067                                           | 225,496             |
| <b>Total Operating Expenses</b>                      | <b>\$ 298,952</b>            | <b>\$ 109,358</b>                | <b>\$ 193,659</b>           | <b>\$ 269,904</b>           | <b>\$ 13,139</b>                                 | <b>\$ 885,012</b>   |
| <b>Operating Income (Loss)</b>                       | <b>\$ (44,892)</b>           | <b>\$ 1,418</b>                  | <b>\$ (10,375)</b>          | <b>\$ (55,083)</b>          | <b>\$ 11,521</b>                                 | <b>\$ (97,411)</b>  |
| <b>Nonoperating Revenues (Expenses)</b>              |                              |                                  |                             |                             |                                                  |                     |
| Property taxes                                       | \$ -                         | \$ -                             | \$ 13,374                   | \$ 2,906                    | \$ 5,687                                         | \$ 21,967           |
| Special assessments                                  | -                            | -                                | 8,660                       | 19,411                      | 1,073                                            | 29,144              |
| Miscellaneous                                        | 3,085                        | -                                | 7,456                       | 889                         | -                                                | 11,430              |
| Intergovernmental                                    | -                            | -                                | 689,346                     | -                           | -                                                | 689,346             |
| Investment earnings                                  | 3,250                        | -                                | -                           | -                           | -                                                | 3,250               |
| Interest expense                                     | -                            | -                                | (120,288)                   | (31,995)                    | -                                                | (152,283)           |
| <b>Total Nonoperating<br/>Revenues (Expenses)</b>    | <b>\$ 6,335</b>              | <b>\$ -</b>                      | <b>\$ 598,548</b>           | <b>\$ (8,789)</b>           | <b>\$ 6,760</b>                                  | <b>\$ 602,854</b>   |
| <b>Change in Net Position</b>                        | <b>\$ (38,557)</b>           | <b>\$ 1,418</b>                  | <b>\$ 588,173</b>           | <b>\$ (63,872)</b>          | <b>\$ 18,281</b>                                 | <b>\$ 505,443</b>   |
| <b>Net Position - January 1</b>                      | <b>307,489</b>               | <b>154,540</b>                   | <b>1,215,412</b>            | <b>2,011,194</b>            | <b>665,300</b>                                   | <b>4,353,935</b>    |
| <b>Net Position - December 31</b>                    | <b>\$ 268,932</b>            | <b>\$ 155,958</b>                | <b>\$ 1,803,585</b>         | <b>\$ 1,947,322</b>         | <b>\$ 683,581</b>                                | <b>\$ 4,859,378</b> |

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

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
Increase (Decrease) in Cash and Cash Equivalents**

|                                                                                | <u>Liquor<br/>Enterprise</u> | <u>Sanitation<br/>Enterprise</u> | <u>Sewer<br/>Enterprise</u> | <u>Water<br/>Enterprise</u> | <u>Nonmajor<br/>Storm Utility<br/>Enterprise</u> | <u>Total</u>        |
|--------------------------------------------------------------------------------|------------------------------|----------------------------------|-----------------------------|-----------------------------|--------------------------------------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                                    |                              |                                  |                             |                             |                                                  |                     |
| Receipts from customers                                                        | \$ 683,445                   | \$ 119,574                       | \$ 181,806                  | \$ 210,936                  | \$ 25,131                                        | \$ 1,220,892        |
| Payments to employees                                                          | (174,734)                    | -                                | (82,021)                    | (81,664)                    | -                                                | (338,419)           |
| Payments to suppliers                                                          | (513,606)                    | (119,393)                        | (36,066)                    | (71,653)                    | (72)                                             | (740,790)           |
| <b>Net cash provided by (used in) operating activities</b>                     | <b>\$ (4,895)</b>            | <b>\$ 181</b>                    | <b>\$ 63,719</b>            | <b>\$ 57,619</b>            | <b>\$ 25,059</b>                                 | <b>\$ 141,683</b>   |
| <b>Cash Flows from Noncapital Financing Activities</b>                         |                              |                                  |                             |                             |                                                  |                     |
| Miscellaneous receipts                                                         | \$ 2,866                     | \$ -                             | \$ 7,347                    | \$ 780                      | \$ -                                             | \$ 10,993           |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |                              |                                  |                             |                             |                                                  |                     |
| Property taxes received                                                        | \$ -                         | \$ -                             | \$ 13,265                   | \$ 4,017                    | \$ 5,346                                         | \$ 22,628           |
| Special assessments received                                                   | -                            | 78                               | 23,045                      | 37,782                      | 1,407                                            | 62,312              |
| Intergovernmental receipts                                                     | -                            | -                                | 674,640                     | -                           | -                                                | 674,640             |
| Acquisition and construction of capital assets                                 | -                            | -                                | (789,847)                   | -                           | -                                                | (789,847)           |
| Debt proceeds                                                                  | -                            | -                                | 3,130,219                   | -                           | -                                                | 3,130,219           |
| Principal paid on debt                                                         | -                            | -                                | (2,903,900)                 | (57,100)                    | -                                                | (2,961,000)         |
| Interest paid on debt                                                          | -                            | -                                | (120,288)                   | (31,995)                    | -                                                | (152,283)           |
| <b>Net cash provided by (used in) capital and related financing activities</b> | <b>\$ -</b>                  | <b>\$ 78</b>                     | <b>\$ 27,134</b>            | <b>\$ (47,296)</b>          | <b>\$ 6,753</b>                                  | <b>\$ (13,331)</b>  |
| <b>Cash Flows from Investing Activities</b>                                    |                              |                                  |                             |                             |                                                  |                     |
| Investment earnings received                                                   | \$ 3,250                     | \$ -                             | \$ -                        | \$ -                        | \$ -                                             | \$ 3,250            |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                    | <b>\$ 1,221</b>              | <b>\$ 259</b>                    | <b>\$ 98,200</b>            | <b>\$ 11,103</b>            | <b>\$ 31,812</b>                                 | <b>\$ 142,595</b>   |
| <b>Cash and Cash Equivalents at January 1</b>                                  | <b>206,517</b>               | <b>152,363</b>                   | <b>304,172</b>              | <b>789,869</b>              | <b>227,482</b>                                   | <b>1,680,403</b>    |
| <b>Cash and Cash Equivalents at December 31</b>                                | <b>\$ 207,738</b>            | <b>\$ 152,622</b>                | <b>\$ 402,372</b>           | <b>\$ 800,972</b>           | <b>\$ 259,294</b>                                | <b>\$ 1,822,998</b> |

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

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
Increase (Decrease) in Cash and Cash Equivalents**

|                                                                                                                | <u>Liquor<br/>Enterprise</u> | <u>Sanitation<br/>Enterprise</u> | <u>Sewer<br/>Enterprise</u> | <u>Water<br/>Enterprise</u> | <u>Nonmajor<br/>Storm Utility<br/>Enterprise</u> | <u>Total</u>      |
|----------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|-----------------------------|-----------------------------|--------------------------------------------------|-------------------|
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>        |                              |                                  |                             |                             |                                                  |                   |
| Operating income (loss)                                                                                        | \$ (44,892)                  | \$ 1,418                         | \$ (10,375)                 | \$ (55,083)                 | \$ 11,521                                        | \$ (97,411)       |
| <b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b> |                              |                                  |                             |                             |                                                  |                   |
| Depreciation expense                                                                                           | \$ 16,216                    | \$ -                             | \$ 80,828                   | \$ 115,385                  | \$ 13,067                                        | \$ 225,496        |
| (Increase) decrease in assets                                                                                  |                              |                                  |                             |                             |                                                  |                   |
| Accounts receivable                                                                                            | -                            | (4,091)                          | (1,478)                     | (5,207)                     | 471                                              | (10,305)          |
| Inventories                                                                                                    | 10,054                       | -                                | -                           | -                           | -                                                | 10,054            |
| Prepaid items                                                                                                  | 341                          | -                                | -                           | -                           | -                                                | 341               |
| Increase (decrease) in liabilities                                                                             |                              |                                  |                             |                             |                                                  |                   |
| Accounts payable                                                                                               | 8,134                        | 2,393                            | (7,435)                     | 351                         | -                                                | 3,443             |
| Salaries payable                                                                                               | (242)                        | -                                | (187)                       | (187)                       | -                                                | (616)             |
| Compensated absences payable                                                                                   | 874                          | -                                | 437                         | 437                         | -                                                | 1,748             |
| Due to other governments                                                                                       | 762                          | 461                              | -                           | (6)                         | -                                                | 1,217             |
| Net pension liability                                                                                          | 3,858                        | -                                | 1,929                       | 1,929                       | -                                                | 7,716             |
| <b>Total adjustments</b>                                                                                       | <b>\$ 39,997</b>             | <b>\$ (1,237)</b>                | <b>\$ 74,094</b>            | <b>\$ 112,702</b>           | <b>\$ 13,538</b>                                 | <b>\$ 239,094</b> |
| <b>Net cash provided by (used in) operating activities</b>                                                     | <b>\$ (4,895)</b>            | <b>\$ 181</b>                    | <b>\$ 63,719</b>            | <b>\$ 57,619</b>            | <b>\$ 25,059</b>                                 | <b>\$ 141,683</b> |

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

**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 Long-Term Capital Projects Fund is 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.

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, 2025, 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 2025 were \$7,023. Total investment earnings for 2025 were \$21,247.

**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 2016 through 2025 and noncurrent special assessments collectible in 2026 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 time, earned sick and safe time, 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, 2025, 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, 2025, 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, 2025, 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, 2025, are as follows:

| <b>Government-wide Statement of Net Position</b> |                     |
|--------------------------------------------------|---------------------|
| <i>Governmental Activities</i>                   |                     |
| Cash and pooled investments                      | \$ 311,038          |
| Investments                                      | 518,160             |
| <i>Business-type Activities</i>                  |                     |
| Cash and pooled investments                      | 1,740,427           |
| Investments                                      | 82,571              |
| Total Cash and Investments                       | <u>\$ 2,652,196</u> |
|                                                  |                     |
| Cash on hand                                     | \$ 9,145            |
| Checking                                         | 2,042,820           |
| Savings                                          | 189                 |
| Certificates of deposit                          | <u>600,042</u>      |
| Total Deposits and Cash on Hand                  | <u>\$ 2,652,196</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, 2025, 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, 2025, for the City's governmental and business-type activities, are as follows:

|                                 | Total Receivables | Amounts Not<br>Scheduled for<br>Collection During<br>the Subsequent Year |
|---------------------------------|-------------------|--------------------------------------------------------------------------|
| <b>Governmental Activities</b>  |                   |                                                                          |
| Taxes                           | \$ 30,788         | \$ -                                                                     |
| Special assessments             | 109               | -                                                                        |
| Accounts receivable             | 10,429            | -                                                                        |
| Loans receivable                | 97,853            | -                                                                        |
|                                 | <hr/>             | <hr/>                                                                    |
| Total Governmental Activities   | <u>\$ 139,179</u> | <u>\$ -</u>                                                              |
| <b>Business-Type Activities</b> |                   |                                                                          |
| Taxes                           | \$ 3,191          | \$ -                                                                     |
| Special assessments             | 526,266           | 505,754                                                                  |
| Accounts receivable             | 62,071            | -                                                                        |
|                                 | <hr/>             | <hr/>                                                                    |
| Total Business-Type Activities  | <u>\$ 591,528</u> | <u>\$ 505,754</u>                                                        |

**3. Capital Assets**

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2025, was as follows:

| Governmental Activities                | Beginning<br>Balance | Increases         | Decreases       | Ending<br>Balance   |
|----------------------------------------|----------------------|-------------------|-----------------|---------------------|
| Capital assets, not being depreciated  |                      |                   |                 |                     |
| Land                                   | \$ 56,839            | \$ -              | \$ 2,703        | \$ 54,136           |
|                                        | <hr/>                | <hr/>             | <hr/>           | <hr/>               |
| Capital assets being depreciated       |                      |                   |                 |                     |
| Infrastructure                         | \$ 367,050           | \$ 423,296        | \$ -            | \$ 790,346          |
| Buildings and improvements             | 557,600              | 6,000             | -               | 563,600             |
| Land improvements                      | 15,600               | -                 | -               | 15,600              |
| Machinery and equipment                | 868,923              | 159,026           | -               | 1,027,949           |
|                                        | <hr/>                | <hr/>             | <hr/>           | <hr/>               |
| Total capital assets being depreciated | <u>\$ 1,809,173</u>  | <u>\$ 588,322</u> | <u>\$ -</u>     | <u>\$ 2,397,495</u> |
| Less: accumulated depreciation for     |                      |                   |                 |                     |
| Infrastructure                         | \$ 119,060           | \$ 12,237         | \$ -            | \$ 131,297          |
| Buildings and improvements             | 314,545              | 10,995            | -               | 325,540             |
| Land improvements                      | 14,400               | 600               | -               | 15,000              |
| Machinery and equipment                | 686,975              | 29,235            | -               | 716,210             |
|                                        | <hr/>                | <hr/>             | <hr/>           | <hr/>               |
| Total accumulated depreciation         | <u>\$ 1,134,980</u>  | <u>\$ 53,067</u>  | <u>\$ -</u>     | <u>\$ 1,188,047</u> |
| Total capital assets, depreciated, net | <u>\$ 674,193</u>    | <u>\$ 535,255</u> | <u>\$ -</u>     | <u>\$ 1,209,448</u> |
|                                        | <hr/>                | <hr/>             | <hr/>           | <hr/>               |
| Governmental Activities                |                      |                   |                 |                     |
| Capital Assets, Net                    | <u>\$ 731,032</u>    | <u>\$ 535,255</u> | <u>\$ 2,703</u> | <u>\$ 1,263,584</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<br/>Balance</b> | <b>Increases</b>    | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|-----------------------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, not being depreciated         |                              |                     |                  |                           |
| Land                                          | \$ 46,816                    | \$ -                | \$ -             | \$ 46,816                 |
| Construction in progress                      | 2,929,033                    | 743,774             | -                | 3,672,807                 |
| <b>Total capital assets not depreciated</b>   | <b>\$ 2,975,849</b>          | <b>\$ 743,774</b>   | <b>\$ -</b>      | <b>\$ 3,719,623</b>       |
| Capital assets being depreciated              |                              |                     |                  |                           |
| Infrastructure                                | \$ 7,776,348                 | \$ -                | \$ -             | \$ 7,776,348              |
| Buildings and improvements                    | 573,556                      | -                   | -                | 573,556                   |
| Land improvements                             | 58,281                       | -                   | -                | 58,281                    |
| Machinery and equipment                       | 87,494                       | -                   | -                | 87,494                    |
| <b>Total capital assets being depreciated</b> | <b>\$ 8,495,679</b>          | <b>\$ -</b>         | <b>\$ -</b>      | <b>\$ 8,495,679</b>       |
| Less: accumulated depreciation for            |                              |                     |                  |                           |
| Infrastructure                                | \$ 4,067,474                 | \$ 205,496          | \$ -             | \$ 4,272,970              |
| Buildings and improvements                    | 450,040                      | 13,778              | -                | 463,818                   |
| Land improvements                             | 17,376                       | 3,147               | -                | 20,523                    |
| Machinery and equipment                       | 71,364                       | 3,075               | -                | 74,439                    |
| <b>Total accumulated depreciation</b>         | <b>\$ 4,606,254</b>          | <b>\$ 225,496</b>   | <b>\$ -</b>      | <b>\$ 4,831,750</b>       |
| <b>Total capital assets, depreciated, net</b> | <b>\$ 3,889,425</b>          | <b>\$ (225,496)</b> | <b>\$ -</b>      | <b>\$ 3,663,929</b>       |
| <b>Business-Type Activities</b>               |                              |                     |                  |                           |
| <b>Capital Assets, Net</b>                    | <b>\$ 6,865,274</b>          | <b>\$ 518,278</b>   | <b>\$ -</b>      | <b>\$ 7,383,552</b>       |

**Depreciation Expense**

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

|                                                              |                   |
|--------------------------------------------------------------|-------------------|
| <b>Governmental Activities</b>                               |                   |
| General government                                           | \$ 1,164          |
| Public safety                                                | 8,440             |
| Highways and streets                                         | 28,097            |
| Culture and recreation                                       | 15,366            |
| <b>Total Depreciation Expense - Governmental Activities</b>  | <b>\$ 53,067</b>  |
| <b>Business-Type Activities</b>                              |                   |
| Liquor Store                                                 | \$ 16,216         |
| Sewer                                                        | 80,828            |
| Storm Drainage                                               | 13,067            |
| Water                                                        | 115,385           |
| <b>Total Depreciation Expense - Business-Type Activities</b> | <b>\$ 225,496</b> |

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

II. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Due To/Due From Other Funds

The composition of due to/from other funds as of December 31, 2025, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>        | <u>Amount</u> |                       |
|------------------------|----------------------------|---------------|-----------------------|
| General Fund           | Long-Term Capital Projects | \$ 36,417     | To cover deficit cash |

Interfund Transfers

Interfund transfers for the year ended December 31, 2025, consisted of the following operating transfers:

|                                                                                        |                  |                    |
|----------------------------------------------------------------------------------------|------------------|--------------------|
| Transfer to Long-Term Capital Projects fund from<br>General Fund                       | \$ 46,447        | Transfer balance   |
|                                                                                        | <u>27,000</u>    | Operating transfer |
|                                                                                        | <u>\$ 73,447</u> |                    |
| Transfer to General Fund from Lot Incentive Capital Projects<br>Fund from General Fund | \$ 14,724        | Transfer balance   |
| Total Interfund Transfers:                                                             | <u>\$ 88,171</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. Earned sick and safe time leave for part time employees is accrued at a rate of one hour for every 30 hours worked to a maximum of 48 hours each year to a maximum bank of 80 hours. Employees are eligible to vest one-third of unused sick leave upon termination in good standing.

Unvested sick leave, approximately \$42,713 at December 31, 2025, is available to employees in the event of illness-related absences and is not paid to them at termination. Compensated absences are generally liquidated from the General Fund and the Liquor, Sewer and Water Enterprise Funds.

2. Construction Commitments

The City has one active construction project for the wastewater treatment facility in the amount of \$3,397,240, with a remaining commitment of \$67,746.

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

II. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Business-Type Activities

The 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, 2025, is \$245,000.

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 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, 2025, is \$1,673,000.

The City of Twin Valley MN Rural Water Finance Authority Loan of 2024 represents debt incurred for the Sewer and Treatment Plant Improvement Project. This loan was issued to provide temporary financing during the construction of the project. This loan has an original issue amount of \$2,680,955 and carries an interest rate of 5.95 percent. The loan was paid off in 2025 with the issuance of the USDA GO Sewer Revenue Bonds of 2025.

The City of Twin Valley USDA GO Sewer Revenue Bonds, Series 2025A represents debt incurred for the Sewer and Treatment Plant Improvement Project. These bonds were issued to provide financing to repay the temporary MN Rural Water loan obtained in 2024 during the construction of the project. These bonds have an original issue amount of \$2,108,000, carry an interest rate of 2.25 percent, and are due in annual payments from the Sewer Enterprise Fund of \$33,048 to \$78,701 through June 2065. The balance due on these bonds at December 31, 2025, is \$2,108,000.

The City of Twin Valley USDA GO Sewer Revenue Bonds, Series 2025B represents additional debt incurred for the Sewer and Treatment Plant Improvement Project. These bonds have an original issue amount of \$770,000, carry an interest rate of 2.125 percent, and are due in annual payments from the Sewer Enterprise Fund of \$12,407 to \$28,148 through June 2065. The balance due on these bonds at December 31, 2025, is \$770,000.

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

II. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Business-Type Activities (Continued)

Debt service requirements for business-type activities at December 31, 2025, are as follows:

| Year Ending<br>December 31 | \$290,909<br>Drinking Water State<br>Revolving Fund (PFA) |                  | General Obligation<br>Utility Refunding Bonds<br>Series 2019B |                   | USDA General Obligation<br>Revenue Bonds<br>Series 2025A |                     | USDA General Obligation<br>Revenue Bonds<br>Series 2025B |                   |
|----------------------------|-----------------------------------------------------------|------------------|---------------------------------------------------------------|-------------------|----------------------------------------------------------|---------------------|----------------------------------------------------------|-------------------|
|                            | Principal                                                 | Interest         | Principal                                                     | Interest          | Principal                                                | Interest            | Principal                                                | Interest          |
|                            |                                                           |                  |                                                               |                   |                                                          |                     |                                                          |                   |
| 2026                       | \$ 9,000                                                  | \$ 2,450         | \$ 74,000                                                     | \$ 43,354         | \$ 33,048                                                | \$ 47,430           | \$ 12,407                                                | \$ 16,362         |
| 2027                       | 9,000                                                     | 2,360            | 76,000                                                        | 41,367            | 33,792                                                   | 46,686              | 12,670                                                   | 16,099            |
| 2028                       | 9,000                                                     | 2,270            | 79,000                                                        | 39,313            | 34,552                                                   | 45,926              | 12,939                                                   | 15,830            |
| 2029                       | 9,000                                                     | 2,180            | 80,000                                                        | 37,206            | 35,329                                                   | 45,149              | 13,214                                                   | 15,555            |
| 2030                       | 10,000                                                    | 2,090            | 82,000                                                        | 35,060            | 36,124                                                   | 44,354              | 13,495                                                   | 15,274            |
| 2031-2035                  | 50,000                                                    | 8,950            | 444,000                                                       | 141,086           | 193,185                                                  | 209,205             | 71,901                                                   | 71,944            |
| 2036-2040                  | 50,000                                                    | 6,450            | 504,000                                                       | 78,307            | 215,918                                                  | 186,472             | 79,872                                                   | 63,973            |
| 2041-2045                  | 55,000                                                    | 3,850            | 334,000                                                       | 13,408            | 241,328                                                  | 161,062             | 88,727                                                   | 55,118            |
| 2046-2050                  | 44,000                                                    | 1,100            | -                                                             | -                 | 269,727                                                  | 132,663             | 98,564                                                   | 45,281            |
| 2051-2055                  | -                                                         | -                | -                                                             | -                 | 301,467                                                  | 100,923             | 109,491                                                  | 34,354            |
| 2056-2060                  | -                                                         | -                | -                                                             | -                 | 336,943                                                  | 65,447              | 121,629                                                  | 22,216            |
| 2061-2065                  | -                                                         | -                | -                                                             | -                 | 376,587                                                  | 25,797              | 135,091                                                  | 8,731             |
| Total                      | <u>\$ 245,000</u>                                         | <u>\$ 31,700</u> | <u>\$ 1,673,000</u>                                           | <u>\$ 429,101</u> | <u>\$ 2,108,000</u>                                      | <u>\$ 1,111,114</u> | <u>\$ 770,000</u>                                        | <u>\$ 380,737</u> |

4. Long-Term Liability

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2025, was as follows:

|                                                  | Beginning<br>Balance | Additions       | Reductions        | Ending<br>Balance | Due Within<br>One Year |
|--------------------------------------------------|----------------------|-----------------|-------------------|-------------------|------------------------|
| Compensated Absences                             | \$ 14,228            | \$ 1,471        | \$ -              | \$ 15,699         | \$ 5,850               |
| Net Pension Liability                            | 189,658              | -               | 120,322           | 69,336            | -                      |
| Governmental Activities<br>Long-Term Liabilities | <u>\$ 203,886</u>    | <u>\$ 1,471</u> | <u>\$ 120,322</u> | <u>\$ 85,035</u>  | <u>\$ 5,850</u>        |

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

**II. Detailed Notes on All Funds**

**C. Liabilities**

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

**Business-Type Activities**

Long-term liability activity for the business-type activities for the year ended December 31, 2025, was as follows:

|                                                              | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance   | Due Within<br>One Year |
|--------------------------------------------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| MN Rural Water Temporary<br>Loan, Series 2024                | \$ 2,680,955         | \$ 197,045          | \$ 2,878,000        | \$ -                | \$ -                   |
| G.O. Utility Revenue Refunding<br>Bonds, Series 2019B        | 1,747,000            | -                   | 74,000              | 1,673,000           | 74,000                 |
| \$299,070 Drinking Water State<br>Revolving Funds (PFA) 2019 | 254,000              | -                   | 9,000               | 245,000             | 9,000                  |
| USDA G.O. Revenue Bonds,<br>Series 2025A                     | -                    | 2,108,000           | -                   | 2,108,000           | 33,048                 |
| USDA G.O. Revenue Bonds,<br>Series 2025B                     | -                    | 770,000             | -                   | 770,000             | 12,407                 |
| Compensated Absences                                         | 22,582               | 1,748               | -                   | 24,330              | 10,331                 |
| Net Pension Liability                                        | 102,268              | -                   | 11,527              | 90,741              | -                      |
| Business-Type Activities<br>Long-Term Liabilities            | <u>\$ 4,806,805</u>  | <u>\$ 3,076,793</u> | <u>\$ 2,972,527</u> | <u>\$ 4,911,071</u> | <u>\$ 138,786</u>      |

**5. 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, 2025, are summarized below by fund:

| Governmental Funds                       | Taxes            | Special<br>Assessments | Loans<br>Receivable | Total             |
|------------------------------------------|------------------|------------------------|---------------------|-------------------|
| General                                  | \$ 16,404        | \$ 109                 | \$ -                | \$ 16,513         |
| Long Term Capital Projects               | 832              | -                      | -                   | 832               |
| Loan Pool/EDA Special Revenue            | -                | -                      | 82,756              | 82,756            |
| Small Cities Development Special Revenue | -                | -                      | 15,097              | 15,097            |
| Total                                    | <u>\$ 17,236</u> | <u>\$ 109</u>          | <u>\$ 97,853</u>    | <u>\$ 115,198</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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) on the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

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

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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 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, 2025, the plan covered 23 active firefighters and 11 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.

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. When a member is "vested", they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

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

III. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent of each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 increase will receive a prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

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 prorated increase.

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

III. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

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 a pro-rated vesting schedule that increases from 40 percent after 5 years to 100 percent after 20 years.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the City of Twin Valley was required to contribute 7.50 percent for General Plan members. The City of Twin Valley's contributions to the General Employees Fund for the year ended December 31, 2025, were \$27,490. 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 members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2025 and the City of Twin Valley was required to contribute 17.70 percent for Police and Fire Plan members. There was no statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2025.

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 \$16,181 in fire state aid to the fund for the year ended December 31, 2025. Required employer contributions are calculated annually based on statutory provisions. There was no statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2025.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2025, the City of Twin Valley reported a liability of \$133,444 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

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## III. Defined Benefit Pension Plans

### D. Pension Costs

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

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 \$3,219.

|                                                                                                                     |                          |
|---------------------------------------------------------------------------------------------------------------------|--------------------------|
| City of Twin Valley's<br>proportionate share of the net pension liability                                           | \$ 133,444               |
| State of Minnesota's proportionate share of<br>the net pension liability associated with<br>the City of Twin Valley | <u>3,219</u>             |
| Total                                                                                                               | <u><u>\$ 136,663</u></u> |

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Twin Valley's proportionate 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0040 percent at the end of the measurement period and .0041 percent for the beginning of the period.

There were no provision changes during the measurement period.

For the year ended December 31, 2025, the City of Twin Valley recognized a pension expense of (\$2,132) for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Twin Valley recognized an additional \$644 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

|                                                               | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual economic experience    | \$ 20,974                                 | \$ -                                     |
| Changes in actuarial assumption                               | -                                         | 59,183                                   |
| Difference between projected and actual investment earnings   | -                                         | 69,936                                   |
| Changes in proportion                                         | 5,940                                     | 5,367                                    |
| Contributions paid to PERA subsequent to the measurement date | <u>13,918</u>                             | <u>-</u>                                 |
| Total                                                         | <u><u>\$ 40,832</u></u>                   | <u><u>\$ 134,486</u></u>                 |

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## III. Defined Benefit Pension Plans

### D. Pension Costs

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

The \$13,918 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Pension Expense Amount</u> |
|--------------------------------|-------------------------------|
| 2026                           | \$ (24,821)                   |
| 2027                           | \$ (39,190)                   |
| 2028                           | \$ (30,287)                   |
| 2029                           | \$ (13,274)                   |

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

At December 31, 2025, the City of Twin Valley reported a liability of \$26,633 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City of Twin Valley's proportionate share was .0023 percent at the end of the measurement period and .0108 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets 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 aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City of Twin Valley totaled \$923.

|                                                                                                                     |                         |
|---------------------------------------------------------------------------------------------------------------------|-------------------------|
| City of Twin Valley's<br>proportionate share of the net pension liability                                           | \$ 26,633               |
| State of Minnesota's proportionate share of<br>the net pension liability associated with<br>the City of Twin Valley | <u>923</u>              |
| Total                                                                                                               | <u><u>\$ 27,556</u></u> |

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

III. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

For the year ended December 31, 2025, the City of Twin Valley recognized pension expense of (\$17,312) for its proportionate share of the Police and Fire Plan's pension expense. The City of Twin Valley recognized \$205 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

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 because this contribution was not considered to meet the definition of a special funding situation. The City of Twin Valley recognized \$607 for the year ended December 31, 2025, 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.

There were no provision changes during the measurement period.

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

|                                                             | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 53,980                         | \$ -                             |
| Changes in actuarial assumptions                            | 99,229                            | 182,806                          |
| Difference between projected and actual investment earnings | -                                 | 26,871                           |
| Changes in proportion                                       | 7,697                             | 135,041                          |
| Total                                                       | <u>\$ 160,906</u>                 | <u>\$ 344,718</u>                |

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended<br>December 31: | Pension Expense<br>Amount: |
|----------------------------|----------------------------|
| 2026                       | \$ 7,595                   |
| 2027                       | \$ (50,688)                |
| 2028                       | \$ (88,274)                |
| 2029                       | \$ (27,434)                |
| 2030                       | \$ (25,011)                |

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

III. Defined Benefit Pension Plans

D. Pension Costs (Continued)

3. Statewide Volunteer Firefighter (SVF) Plan Pension Costs

At December 31, 2025, the City of Twin Valley reported a net pension asset of \$188,313 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. 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:

|                                     | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability (Asset) |
|-------------------------------------|----------------------------|--------------------------------|----------------------------------|
|                                     | (a)                        | (b)                            | (a-b)                            |
| Beginning Balance 12/31/2024        | \$ 265,554                 | \$ 418,185                     | \$ (152,631)                     |
| Changes for the Year:               |                            |                                |                                  |
| Service Cost                        | 14,456                     | -                              | 14,456                           |
| Interest on Pension Liability       | 16,800                     | -                              | 16,800                           |
| Actuarial Experience (Gains)/Losses | (10,434)                   | -                              | (10,434)                         |
| Projected Investment Earnings       | -                          | 25,483                         | (25,483)                         |
| State Contributions                 | -                          | 16,181                         | (16,181)                         |
| Asset (Gain)/Loss                   | -                          | 17,960                         | (17,960)                         |
| Administrative Costs                | -                          | (3,120)                        | 3,120                            |
| Net Changes                         | \$ 20,822                  | \$ 56,504                      | \$ (35,682)                      |
| Balance End of Year 12/31/2025      | <u>\$ 286,376</u>          | <u>\$ 474,689</u>              | <u>\$ (188,313)</u>              |

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2025, the City of Twin Valley recognized pension expense of \$10,787.

At December 31, 2025, the City of Twin Valley deferred inflows of resources related to pensions from the following sources:

|                                                             | Deferred Inflows<br>of Resources |
|-------------------------------------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 17,011                        |
| Difference between projected and actual investment earnings | 2,322                            |
| Total                                                       | <u>\$ 19,333</u>                 |

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

III. Defined Benefit Pension Plans

D. Pension Costs

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

| Year-ended<br>December 31: | Pension Expense<br>Amount: |
|----------------------------|----------------------------|
| 2025                       | \$ 278                     |
| 2026                       | \$ 4,030                   |
| 2027                       | \$ (11,379)                |
| 2028                       | \$ (5,117)                 |
| Thereafter                 | \$ (7,145)                 |

Aggregate Pension Expense

The total pension expense for all plans recognized by the City of Twin Valley for the year ended December 31, 2025, was (\$7,808).

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:

| Asset Class          | Target Allocation | Long-Term Expected Real<br>Rate of Return |
|----------------------|-------------------|-------------------------------------------|
| 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:

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

III. Defined Benefit Pension Plans

E. Long-Term Expected Return on Investment

Statewide Volunteer Firefighter Plan (Continued)

| Asset Class          | Target Allocation | Long-Term Expected Real<br>Rate of Return |
|----------------------|-------------------|-------------------------------------------|
| 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 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 2025 for the Volunteer Firefighter Fund.

F. Actuarial Methods and Assumptions

General Employees Fund – Police and Fire Fund

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

Inflation is assumed to be 2.25% for the General Employees Plan and Police & Fire Plan.

Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police & Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service.

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

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

III. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions

General Employees Fund – Police and Fire Fund (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023, actuarial valuation. The Police & Fire Plan were reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025, actuarial valuation.

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.

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

III. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions

General Employees Fund – Police and Fire Fund

**Police and Fire Fund**

Changes in Actuarial Assumptions: (Continued)

- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**Statewide Volunteer Firefighter (SVF) Plan**

The total pension liability at December 31, 2025, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or when fully vested.
- Investment rate of return of 6.0 percent.

G. Discount Rate

General Employees Fund – Police and Fire Fund

The discount rate used to measure the total pension liability in 2025 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net pension of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF TWIN VALLEY TWIN VALLEY, MINNESOTA

## III. Defined Benefit Pension Plans

### G. Discount Rate (Continued)

#### 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 at a rate equal to the actuarially determined contribution rate. Based on these assumptions, the pension plan's fiduciary net position 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.

### H. Pension Liability Sensitivity

The following presents the City of Twin Valley's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Twin Valley proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| <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%                         | \$ 324,115  | 6.00%                       | \$ 69,785  | 5.00%                             | \$ (179,128) |  |
| Current Discount Rate                                            | 7.00%                         | \$ 133,444  | 7.00%                       | \$ 26,633  | 6.00%                             | (188,313)    |  |
| 1% Higher                                                        | 8.00%                         | \$ (21,233) | 8.00%                       | \$ (8,801) | 7.00%                             | (197,169)    |  |

### 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.

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

IV. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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, 2025**

|                                      | Budgeted Amounts  |                   | Actual            | Variance with                          |
|--------------------------------------|-------------------|-------------------|-------------------|----------------------------------------|
|                                      | Original          | Final             | Amounts           | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues</b>                      |                   |                   |                   |                                        |
| Property taxes                       | \$ 209,172        | \$ 209,172        | \$ 207,674        | \$ (1,498)                             |
| Special assessments                  | \$ -              | \$ -              | \$ 25,622         | \$ 25,622                              |
| Licenses and permits                 | \$ 3,765          | \$ 3,765          | \$ 3,765          | \$ -                                   |
| <b>Intergovernmental</b>             |                   |                   |                   |                                        |
| Shared Revenues                      |                   |                   |                   |                                        |
| Fire State Aid                       | \$ -              | \$ -              | \$ 16,181         | \$ 16,181                              |
| Police Aid                           | 900               | 900               | 9,239             | 8,339                                  |
| Local Government Aid                 | 365,529           | 365,529           | 365,529           | -                                      |
| Market Value Credit                  | 250               | 250               | 528               | 278                                    |
| Small Cities Assistance              | 25,277            | 25,277            | 12,054            | (13,223)                               |
| State Grants                         |                   |                   |                   |                                        |
| Minnesota Department/Board of        |                   |                   |                   |                                        |
| Natural Resources                    | 32,500            | 32,500            | 34,389            | 1,889                                  |
| Public Safety                        | 6,000             | 6,000             | 2,465             | (3,535)                                |
| Trial Courts                         | -                 | -                 | 2,040             | 2,040                                  |
| Transportation                       | 3,000             | 3,000             | -                 | (3,000)                                |
| Federal Grants                       |                   |                   |                   |                                        |
| Department of                        |                   |                   |                   |                                        |
| The Interior                         | -                 | -                 | 61,902            | 61,902                                 |
| Local Grants                         |                   |                   |                   |                                        |
| Norman County                        | 1,100             | 1,100             | 1,101             | 1                                      |
| <b>Total Intergovernmental</b>       | <b>\$ 434,556</b> | <b>\$ 434,556</b> | <b>\$ 505,428</b> | <b>\$ 70,872</b>                       |
| <b>Charges for services</b>          |                   |                   |                   |                                        |
| General government                   | \$ 16,900         | \$ 16,900         | \$ 17,100         | \$ 200                                 |
| Public safety                        | 30,013            | 30,013            | 28,863            | (1,150)                                |
| Culture and recreation               | 19,550            | 19,550            | 17,212            | (2,338)                                |
| <b>Total Charges for Services</b>    | <b>\$ 66,463</b>  | <b>\$ 66,463</b>  | <b>\$ 63,175</b>  | <b>\$ (3,288)</b>                      |
| <b>Gifts and contributions</b>       |                   |                   |                   |                                        |
| Public safety                        | \$ 4,100          | \$ 4,100          | \$ 6,819          | \$ 2,719                               |
| Culture and recreation               | -                 | -                 | 4,700             | 4,700                                  |
| <b>Total Gifts and Contributions</b> | <b>\$ 4,100</b>   | <b>\$ 4,100</b>   | <b>\$ 11,519</b>  | <b>\$ 7,419</b>                        |
| <b>Investment earnings</b>           | <b>\$ 450</b>     | <b>\$ 450</b>     | <b>\$ 17,346</b>  | <b>\$ 16,896</b>                       |

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

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                   | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance with</b>                            |
|-----------------------------------|-------------------------|-------------------|-------------------|-------------------------------------------------|
|                                   | <b>Original</b>         | <b>Final</b>      | <b>Amounts</b>    | <b>Final Budget<br/>Positive<br/>(Negative)</b> |
| <b>Revenues (continued)</b>       |                         |                   |                   |                                                 |
| <b>Miscellaneous</b>              |                         |                   |                   |                                                 |
| General government                | \$ 10,620               | \$ 10,620         | \$ 13,496         | \$ 2,876                                        |
| Culture and recreation            | -                       | -                 | 1,750             | 1,750                                           |
| Rental income                     | 49,500                  | 49,500            | 61,799            | 12,299                                          |
| <b>Total Miscellaneous</b>        | <b>\$ 60,120</b>        | <b>\$ 60,120</b>  | <b>\$ 77,045</b>  | <b>\$ 16,925</b>                                |
| <b>Total Revenues</b>             | <b>\$ 778,626</b>       | <b>\$ 778,626</b> | <b>\$ 911,574</b> | <b>\$ 132,948</b>                               |
| <b>Expenditures</b>               |                         |                   |                   |                                                 |
| <b>Current</b>                    |                         |                   |                   |                                                 |
| <b>General government</b>         |                         |                   |                   |                                                 |
| Mayor/council                     | \$ 11,410               | \$ 11,410         | \$ 11,725         | \$ (315)                                        |
| Finance/office staff              | 51,930                  | 51,930            | 47,711            | 4,219                                           |
| General administration            | 42,510                  | 42,510            | 40,329            | 2,181                                           |
| Assessor                          | 4,550                   | 4,550             | 4,520             | 30                                              |
| Elections                         | 2,500                   | 2,500             | 6,821             | (4,321)                                         |
| Professional services             | 3,650                   | 3,650             | 4,506             | (856)                                           |
| Legal                             | 8,000                   | 8,000             | 3,415             | 4,585                                           |
| Airport                           | 1,350                   | 1,350             | 1,344             | 6                                               |
| Buildings and grounds             | 25,325                  | 25,325            | 24,019            | 1,306                                           |
| Other general government          | 2,600                   | 2,600             | 2,863             | (263)                                           |
| <b>Total general government</b>   | <b>\$ 153,825</b>       | <b>\$ 153,825</b> | <b>\$ 147,253</b> | <b>\$ 6,572</b>                                 |
| <b>Public safety</b>              |                         |                   |                   |                                                 |
| Police                            | \$ 172,350              | \$ 172,350        | \$ 169,567        | \$ 2,783                                        |
| Fire                              | 59,511                  | 59,511            | 30,188            | 29,323                                          |
| Fire relief association           | -                       | -                 | 16,181            | (16,181)                                        |
| Rescue services                   | 19,370                  | 19,370            | 9,848             | 9,522                                           |
| Other public safety               | 200                     | 200               | 88                | 112                                             |
| <b>Total public safety</b>        | <b>\$ 251,431</b>       | <b>\$ 251,431</b> | <b>\$ 225,872</b> | <b>\$ 25,559</b>                                |
| <b>Highways and streets</b>       |                         |                   |                   |                                                 |
| Streets and alleys                | \$ 80,100               | \$ 80,100         | \$ 72,344         | \$ 7,756                                        |
| Snow and ice removal              | 8,000                   | 8,000             | 5,063             | 2,937                                           |
| Street lighting                   | 20,050                  | 20,050            | 18,338            | 1,712                                           |
| <b>Total highways and streets</b> | <b>\$ 108,150</b>       | <b>\$ 108,150</b> | <b>\$ 95,745</b>  | <b>\$ 12,405</b>                                |

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

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2025**

|                                             | <b>Budgeted Amounts</b> |                    | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------|-------------------------|--------------------|---------------------------|-------------------------------------------------------------------|
|                                             | <b>Original</b>         | <b>Final</b>       |                           |                                                                   |
| <b>Expenditures</b>                         |                         |                    |                           |                                                                   |
| <b>Current (continued)</b>                  |                         |                    |                           |                                                                   |
| <b>Culture and recreation</b>               |                         |                    |                           |                                                                   |
| Community Center                            | \$ 15,310               | \$ 15,310          | \$ 16,846                 | \$ (1,536)                                                        |
| Parks                                       | 33,610                  | 33,610             | 37,988                    | (4,378)                                                           |
| Snowmobile and ski trails                   | 30,000                  | 30,000             | 34,389                    | (4,389)                                                           |
| Wimmer Cabins                               | 13,900                  | 13,900             | 13,181                    | 719                                                               |
| Other culture and recreation                | -                       | -                  | 6,100                     | (6,100)                                                           |
| <b>Total culture and recreation</b>         | <b>\$ 92,820</b>        | <b>\$ 92,820</b>   | <b>\$ 108,504</b>         | <b>\$ (15,684)</b>                                                |
| <b>Conservation of natural resources</b>    |                         |                    |                           |                                                                   |
| Weed and pest control                       | \$ 3,900                | \$ 3,900           | \$ 2,428                  | \$ 1,472                                                          |
| <b>Capital outlay</b>                       |                         |                    |                           |                                                                   |
| Public safety                               | \$ 4,500                | \$ 4,500           | \$ 12,434                 | \$ (7,934)                                                        |
| Highways and streets                        | 132,500                 | 132,500            | 385,182                   | (252,682)                                                         |
| Culture and recreation                      | 4,500                   | 4,500              | 6,000                     | (1,500)                                                           |
| <b>Total capital outlay</b>                 | <b>\$ 141,500</b>       | <b>\$ 141,500</b>  | <b>\$ 403,616</b>         | <b>\$ (262,116)</b>                                               |
| <b>Total Expenditures</b>                   | <b>\$ 751,626</b>       | <b>\$ 751,626</b>  | <b>\$ 983,418</b>         | <b>\$ (231,792)</b>                                               |
| <b>Excess of Revenues Over (Under)</b>      |                         |                    |                           |                                                                   |
| <b>Expenditures</b>                         | <b>\$ 27,000</b>        | <b>\$ 27,000</b>   | <b>\$ (71,844)</b>        | <b>\$ (98,844)</b>                                                |
| <b>Other Financing Sources (Uses)</b>       |                         |                    |                           |                                                                   |
| Transfers in                                | \$ 25,000               | \$ 25,000          | \$ 14,724                 | \$ (10,276)                                                       |
| Transfers out                               | (52,000)                | (52,000)           | (73,447)                  | (21,447)                                                          |
| <b>Total Other Financing Sources (Uses)</b> | <b>\$ (27,000)</b>      | <b>\$ (27,000)</b> | <b>\$ (58,723)</b>        | <b>\$ (31,723)</b>                                                |
| <b>Net Change in Fund Balance</b>           | <b>\$ -</b>             | <b>\$ -</b>        | <b>\$ (130,567)</b>       | <b>\$ (130,567)</b>                                               |
| <b>Fund Balance - January 1</b>             | <b>863,543</b>          | <b>863,543</b>     | <b>863,543</b>            | <b>-</b>                                                          |
| <b>Fund Balance - December 31</b>           | <b>\$ 863,543</b>       | <b>\$ 863,543</b>  | <b>\$ 732,976</b>         | <b>\$ (130,567)</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, 2025**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

| <b>Fiscal<br/>Year Ending</b> | <b>Statutorily<br/>Required<br/>Contribution</b> | <b>Contributions in<br/>Relation to the<br/>Statutorily Required<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered-<br/>Payroll</b> | <b>Contributions as a<br/>Percentage of<br/>Covered<br/>Payroll</b> |
|-------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------|---------------------------------------------------------------------|
| December 31, 2025             | \$ 27,490                                        | \$ 27,490                                                                             | \$ -                                            | \$ 366,533                  | 7.5%                                                                |
| December 31, 2024             | \$ 26,935                                        | \$ 26,935                                                                             | \$ -                                            | \$ 359,133                  | 7.5%                                                                |
| 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%                                                                |

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

| <b>Fiscal<br/>Year Ending</b> | <b>Statutorily<br/>Required<br/>Contribution</b> | <b>Contributions in<br/>Relation to the<br/>Statutorily Required<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered-<br/>Payroll</b> | <b>Contributions as a<br/>Percentage of<br/>Covered<br/>Payroll</b> |
|-------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------|---------------------------------------------------------------------|
| December 31, 2025             | \$ -                                             | \$ -                                                                                  | \$ -                                            | \$ -                        | 0.0%                                                                |
| December 31, 2024             | \$ 19,318                                        | \$ 19,318                                                                             | \$ -                                            | \$ 109,141                  | 17.7%                                                               |
| 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%                                                               |

**FIRE RELIEF ASSOCIATION PENSION PLAN**

| <b>Fiscal<br/>Year Ending</b> | <b>Statutorily<br/>Required<br/>Contribution</b> | <b>Contributions in<br/>Relation to the<br/>Statutorily Required<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered-<br/>Employee<br/>Payroll</b> | <b>Contributions as a<br/>Percentage of<br/>Covered-Employee<br/>Payroll</b> |
|-------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------|
| December 31, 2025             | \$ -                                             | \$ -                                                                                  | \$ -                                            | N/A                                      | N/A                                                                          |
| December 31, 2024             | \$ -                                             | \$ -                                                                                  | \$ -                                            | N/A                                      | N/A                                                                          |
| December 31, 2023             | \$ -                                             | \$ -                                                                                  | \$ -                                            | N/A                                      | N/A                                                                          |
| 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                                                                          |

**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, 2025**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

| <b>Fiscal<br/>Year Ending</b> | <b>Employer's<br/>Proportion<br/>of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>State of<br/>Minnesota's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the Net Pension<br/>Liability and the<br/>Employer's Proportionate<br/>Share of the<br/>State of Minnesota's<br/>Share of the Net<br/>Pension Liability</b> | <b>Covered<br/>Payroll</b> | <b>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability as a<br/>Percentage of its<br/>Covered<br/>Payroll</b> | <b>Plan Fiduciary Net<br/>Position as a<br/>Percentage of the<br/>Total Pension<br/>Liability</b> |
|-------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| June 30, 2025                 | 0.0040%                                                                   | \$ 133,444                                                                         | \$ 3,219                                                                                                                                           | \$ 136,663                                                                                                                                                                                               | \$ 362,914                 | 36.77%                                                                                                                 | 90.78%                                                                                            |
| June 30, 2024                 | 0.0041%                                                                   | \$ 150,394                                                                         | \$ 3,889                                                                                                                                           | \$ 154,283                                                                                                                                                                                               | \$ 347,889                 | 43.23%                                                                                                                 | 89.08%                                                                                            |
| 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%                                                                                            |

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

| <b>Fiscal<br/>Year Ending</b> | <b>Employer's<br/>Proportion<br/>of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>State of<br/>Minnesota's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the Net Pension<br/>Liability and the<br/>Employer's Proportionate<br/>Share of the<br/>State of Minnesota's<br/>Share of the Net<br/>Pension Liability</b> | <b>Covered<br/>Payroll</b> | <b>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability as a<br/>Percentage of its<br/>Covered<br/>Payroll</b> | <b>Plan Fiduciary Net<br/>Position as a<br/>Percentage of the<br/>Total Pension<br/>Liability</b> |
|-------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| June 30, 2025                 | 0.0023%                                                                   | \$ 26,633                                                                          | \$ 923                                                                                                                                             | \$ 27,556                                                                                                                                                                                                | \$ 58,868                  | 45.24%                                                                                                                 | 91.78%                                                                                            |
| June 30, 2024                 | 0.0108%                                                                   | \$ 141,532                                                                         | \$ 5,395                                                                                                                                           | \$ 146,927                                                                                                                                                                                               | \$ 124,599                 | 113.59%                                                                                                                | 90.17%                                                                                            |
| 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%                                                                                            |

**FIRE RELIEF ASSOCIATION PENSION PLAN**

| <b>Fiscal<br/>Year Ending</b> | <b>Employer's<br/>Proportion<br/>of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>State of<br/>Minnesota's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the Net Pension<br/>Liability and the<br/>Employer's Proportionate<br/>Share of the<br/>State of Minnesota's<br/>Share of the Net<br/>Pension Liability</b> | <b>Covered<br/>Payroll</b> | <b>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability as a<br/>Percentage of its<br/>Covered<br/>Payroll</b> | <b>Plan Fiduciary Net<br/>Position as a<br/>Percentage of the<br/>Total Pension<br/>Liability</b> |
|-------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| June 30, 2024                 | 100%                                                                      | \$ (188,313)                                                                       | \$ -                                                                                                                                               | \$ (188,313)                                                                                                                                                                                             | N/A                        | N/A                                                                                                                    | 165.80%                                                                                           |
| June 30, 2023                 | 100%                                                                      | \$ (152,631)                                                                       | \$ -                                                                                                                                               | \$ (152,631)                                                                                                                                                                                             | N/A                        | N/A                                                                                                                    | 157.50%                                                                                           |
| 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%                                                                                           |

**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, 2025**

|                                                                                   | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability (Asset)</b> |
|-----------------------------------------------------------------------------------|------------------------------------|----------------------------------------|------------------------------------------|
| <b>Changes for the Year</b>                                                       |                                    |                                        |                                          |
| Service cost                                                                      | \$ 14,456                          | \$ -                                   | \$ 14,456                                |
| Investment earnings                                                               | 16,800                             | -                                      | 16,800                                   |
| Actuarial experience (gains)/losses                                               | (10,434)                           | -                                      | (10,434)                                 |
| Projected investment earnings                                                     | -                                  | 25,483                                 | (25,483)                                 |
| Contributions (state)                                                             | -                                  | 16,181                                 | (16,181)                                 |
| Asset (gain)/loss                                                                 | -                                  | 17,960                                 | (17,960)                                 |
| Administrative costs                                                              | -                                  | (3,120)                                | 3,120                                    |
| <b>Net Change</b>                                                                 | <b>\$ 20,822</b>                   | <b>\$ 56,504</b>                       | <b>\$ (35,682)</b>                       |
| <b>Balance - January 1</b>                                                        | <b>265,554</b>                     | <b>418,185</b>                         | <b>(152,631)</b>                         |
| <b>Balance - December 31</b>                                                      | <b>\$ 286,376</b>                  | <b>\$ 474,689</b>                      | <b>\$ (188,313)</b>                      |
| <b>Plan Fiduciary Net Position</b>                                                |                                    |                                        |                                          |
| Fire state aid                                                                    |                                    | \$ 13,977                              |                                          |
| Fire supplemental aid                                                             |                                    | 2,204                                  |                                          |
| Net investment earnings                                                           |                                    | 43,443                                 |                                          |
| Administrative expenses                                                           |                                    | (3,120)                                |                                          |
| <b>Net Change in Fiduciary Net Position</b>                                       |                                    | <b>\$ 56,504</b>                       |                                          |
| <b>Fiduciary Net Position - January 1</b>                                         |                                    | <b>418,185</b>                         |                                          |
| <b>Fiduciary Net Position - December 31</b>                                       |                                    | <b>\$ 474,689</b>                      |                                          |
| <b>Association's Net Pension Liability (Asset) - December 31</b>                  |                                    | <b>\$ (188,313)</b>                    |                                          |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> |                                    | <b>165.8%</b>                          |                                          |

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025**

**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, 2025:

|                               | <u>Expenditures</u> | <u>Budget</u> | <u>Excess</u> |
|-------------------------------|---------------------|---------------|---------------|
| <b>General Fund</b>           |                     |               |               |
| <i>General government</i>     |                     |               |               |
| Mayor/council                 | \$ 11,725           | \$ 11,410     | \$ (315)      |
| Elections                     | 6,821               | 2,500         | (4,321)       |
| Professional services         | 4,506               | 3,650         | (856)         |
| Other general government      | 2,863               | 2,600         | (263)         |
| <i>Public safety</i>          |                     |               |               |
| Fire relief association       | 16,181              | -             | (16,181)      |
| <i>Culture and recreation</i> |                     |               |               |
| Community Center              | 16,846              | 15,310        | (1,536)       |
| Parks                         | 37,988              | 33,610        | (4,378)       |
| Snowmobile and ski trails     | 34,389              | 30,000        | (4,389)       |
| Other culture and recreation  | 6,100               | -             | (6,100)       |
| <i>Capital outlay</i>         |                     |               |               |
| Public safety                 | 12,434              | 4,500         | (7,934)       |
| Highways and streets          | 385,182             | 132,500       | (252,682)     |
| Culture and recreation        | 6,000               | 4,500         | (1,500)       |

**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:

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

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

**General Employees Fund**

2025 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2024 Changes

*Changes in Actuarial Assumptions*

*The following changes in assumptions are effective with the July 1, 2024, valuation, as recommended in the most recent experience study (dated June 29, 2023):*

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

*Changes in Plan Provisions*

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

2023 Changes

*Changes in Actuarial Assumptions*

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

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

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

**General Employees Fund**

2023 Changes (Continued)

*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.
- 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

**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

*Changes in Actuarial Assumptions (Continued)*

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.

*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.

**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

*Changes in Plan Provisions (Continued)*

- 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.
- 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.

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

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

**Police and Fire Fund**

2025 Changes

*Changes in Actuarial Assumptions*

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

*Changes in Plan Provisions*

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 Changes

*Changes in Actuarial Assumptions*

There were no changes in actuarial assumptions since the prior valuation.

*Changes in Plan Provisions*

- The State contribution of \$9.0 million per year will continue until the earlier 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is

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

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

**Police and Fire Fund**

2024 Changes

*Changes in Plan Provisions (Continued)*

earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

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.

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

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

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

**Police and Fire Fund**

2021 Changes

*Changes in Actuarial Assumptions (Continued)*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2019 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2018 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

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

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

**Police and Fire Fund**

2018 Changes

*Changes in Plan Provisions (Continued)*

- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

*Changes in Actuarial Assumptions*

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

**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)**

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.

## **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 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, 2025**

|                                                                    | Special<br>Revenue Funds<br>(Statement 3) | Lot Incentive<br>Capital Project<br>Fund | Total Nonmajor<br>Governmental<br>Funds<br>(Exhibit 3) |
|--------------------------------------------------------------------|-------------------------------------------|------------------------------------------|--------------------------------------------------------|
|                                                                    | <u>                    </u>               | <u>                    </u>              | <u>                    </u>                            |
| <b><u>Assets</u></b>                                               |                                           |                                          |                                                        |
| Cash and pooled investments                                        | \$ 105,416                                | \$ -                                     | \$ 105,416                                             |
| Investments                                                        | 20,674                                    | -                                        | 20,674                                                 |
| Loans receivable                                                   | <u>97,853</u>                             | <u>-</u>                                 | <u>97,853</u>                                          |
| <b>Total Assets</b>                                                | <b><u>\$ 223,943</u></b>                  | <b><u>\$ -</u></b>                       | <b><u>\$ 223,943</u></b>                               |
| <b><u>Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                                           |                                          |                                                        |
| <b>Deferred Inflows of Resources</b>                               |                                           |                                          |                                                        |
| Loans                                                              | \$ 97,853                                 | \$ -                                     | \$ 97,853                                              |
| <b>Fund Balances</b>                                               |                                           |                                          |                                                        |
| Restricted for economic development                                | <u>126,090</u>                            | <u>-</u>                                 | <u>126,090</u>                                         |
| <b>Total Deferred Inflows of Resources,<br/>and Fund Balances</b>  | <b><u>\$ 223,943</u></b>                  | <b><u>\$ -</u></b>                       | <b><u>\$ 223,943</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, 2025**

|                                                         | Special<br>Revenue Funds<br>(Statement 4) | Lot Incentive<br>Capital Project<br>Fund | Total Nonmajor<br>Governmental<br>Funds<br>(Exhibit 5) |
|---------------------------------------------------------|-------------------------------------------|------------------------------------------|--------------------------------------------------------|
| <b>Revenues</b>                                         |                                           |                                          |                                                        |
| Investment earnings                                     | \$ 651                                    | \$ -                                     | \$ 651                                                 |
| Miscellaneous                                           | 13,934                                    | -                                        | 13,934                                                 |
| <b>Total Revenues</b>                                   | <b>\$ 14,585</b>                          | <b>\$ -</b>                              | <b>\$ 14,585</b>                                       |
| <b>Expenditures</b>                                     |                                           |                                          |                                                        |
| <b>Current</b>                                          |                                           |                                          |                                                        |
| Economic development                                    | 687                                       | -                                        | 687                                                    |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>\$ 13,898</b>                          | <b>\$ -</b>                              | <b>\$ 13,898</b>                                       |
| <b>Other Financing Sources (Uses)</b>                   |                                           |                                          |                                                        |
| Transfers out                                           | -                                         | (14,724)                                 | (14,724)                                               |
| <b>Net Change in Fund Balance</b>                       | <b>\$ 13,898</b>                          | <b>\$ (14,724)</b>                       | <b>\$ (826)</b>                                        |
| <b>Fund Balance - January 1</b>                         | <b>112,192</b>                            | <b>14,724</b>                            | <b>126,916</b>                                         |
| <b>Fund Balance - December 31</b>                       | <b>\$ 126,090</b>                         | <b>\$ -</b>                              | <b>\$ 126,090</b>                                      |

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

**Statement 3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2025**

|                                                                        | <u>Loan Pool/EDA</u>     | <u>Small Cities<br/>Development Grant</u> | <u>Total<br/>(Statement 1)</u> |
|------------------------------------------------------------------------|--------------------------|-------------------------------------------|--------------------------------|
| <b><u>Assets</u></b>                                                   |                          |                                           |                                |
| Cash and pooled investments                                            | \$ 35,929                | \$ 69,487                                 | \$ 105,416                     |
| Investments                                                            | 20,674                   | -                                         | 20,674                         |
| Loans receivable                                                       | <u>82,756</u>            | <u>15,097</u>                             | <u>97,853</u>                  |
| <b>Total Assets</b>                                                    | <b><u>\$ 139,359</u></b> | <b><u>\$ 84,584</u></b>                   | <b><u>\$ 223,943</u></b>       |
| <br><b><u>Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                          |                                           |                                |
| <b>Deferred Inflows of Resources</b>                                   |                          |                                           |                                |
| Loans                                                                  | \$ 82,756                | \$ 15,097                                 | \$ 97,853                      |
| <b>Fund Balances</b>                                                   |                          |                                           |                                |
| Restricted for economic development                                    | <u>56,603</u>            | <u>69,487</u>                             | <u>126,090</u>                 |
| <b>Total Deferred Inflows of Resources,<br/>and Fund Balances</b>      | <b><u>\$ 139,359</u></b> | <b><u>\$ 84,584</u></b>                   | <b><u>\$ 223,943</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, 2025**

|                                   | <u>Loan Pool/EDA</u>    | <u>Small Cities<br/>Development Grant</u> | <u>Total<br/>(Statement 2)</u> |
|-----------------------------------|-------------------------|-------------------------------------------|--------------------------------|
| <b>Revenues</b>                   |                         |                                           |                                |
| Investment earnings               | \$ 651                  | \$ -                                      | \$ 651                         |
| Miscellaneous                     | 13,934                  | -                                         | 13,934                         |
| <b>Total Revenues</b>             | <b>\$ 14,585</b>        | <b>\$ -</b>                               | <b>\$ 14,585</b>               |
| <b>Expenditures</b>               |                         |                                           |                                |
| <b>Current</b>                    |                         |                                           |                                |
| Economic development              | 687                     | -                                         | 687                            |
| <b>Net Change in Fund Balance</b> | <b>\$ 13,898</b>        | <b>\$ -</b>                               | <b>\$ 13,898</b>               |
| <b>Fund Balance - January 1</b>   | <b>42,705</b>           | <b>69,487</b>                             | <b>112,192</b>                 |
| <b>Fund Balance - December 31</b> | <b><u>\$ 56,603</u></b> | <b><u>\$ 69,487</u></b>                   | <b><u>\$ 126,090</u></b>       |

## **OTHER SCHEDULES**

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

**Schedule 5**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**Shared Revenue**

**State**

|                                 |               |
|---------------------------------|---------------|
| Fire state aid                  | \$ 16,181     |
| Local government aid            | 365,529       |
| Market value credit             | 528           |
| Police state aid                | 9,239         |
| Small cities assistance payment | <u>12,054</u> |

|                             |                          |
|-----------------------------|--------------------------|
| <b>Total Shared Revenue</b> | <b>\$ <u>403,531</u></b> |
|-----------------------------|--------------------------|

**Grants**

**Local**

|               |                 |
|---------------|-----------------|
| Norman County | <u>\$ 1,101</u> |
|---------------|-----------------|

**State**

**Minnesota Department/Board of**

|                   |              |
|-------------------|--------------|
| Natural Resources | \$ 34,389    |
| Public Safety     | 2,465        |
| Trial Courts      | <u>2,040</u> |

|                    |                         |
|--------------------|-------------------------|
| <b>Total State</b> | <b>\$ <u>38,894</u></b> |
|--------------------|-------------------------|

**Federal**

**Department of**

|              |               |
|--------------|---------------|
| Agriculture  | \$ 689,346    |
| The Interior | <u>61,902</u> |

|                      |                          |
|----------------------|--------------------------|
| <b>Total Federal</b> | <b>\$ <u>751,248</u></b> |
|----------------------|--------------------------|

|                     |                          |
|---------------------|--------------------------|
| <b>Total Grants</b> | <b>\$ <u>791,243</u></b> |
|---------------------|--------------------------|

|                                        |                                   |
|----------------------------------------|-----------------------------------|
| <b>Total Intergovernmental Revenue</b> | <b>\$ <u><u>1,194,774</u></u></b> |
|----------------------------------------|-----------------------------------|

## **MANAGEMENT AND COMPLIANCE SECTION**

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



Hoffman, Philipp, & Martell, PLLC

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**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, 2025, and the related notes to the financial statements, which collectively comprise the City of Twin Valley's basic financial statements, and have issued our report thereon dated June 17, 2026.

**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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose expressing an opinion on the effectiveness of the City of Twin Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Twin Valley'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 identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2025-001 that we consider to be significant deficiencies.

### **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 statements. 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, we noted that the City of Twin Valley failed to comply with provisions of the contracting and bidding and claims and disbursements 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 described in the Schedule of Findings and Responses as items 2025-002 and 2025-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Twin Valley failed to comply with the provisions of the deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

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

### **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 provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Martell, PLLC  
June 17, 2026

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**Finding Number: 2025-001**

**Prior Year Finding Number(s): 2024-001**

**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.*

**III. MINNESOTA LEGAL COMPLIANCES**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**Finding Number: 2025-002**

**Prior Year Finding Number(s): 2024-002**

**Repeat Finding Since: 2024**

**Finding Title: Contract Compliance**

**Criteria:** Minnesota statutes contain requirements for the contracting processes used by local governments.

**Condition:** The City was not in compliance with the following State of Minnesota contracting and bid law requirement:

**Contract Language:** Minn. Stat. § 471.425, subd. 4a., requires that the contract between the government entity and a prime contractor contain language that requires the prime contractor to pay subcontractors within ten days of receipt of payment from the government entity or pay interest at the rate of 1.5 percent per month or any part of a month. For the contract tested, the City did not include this specific language in the contract with the prime contractor.

**Context:** The City entered into a contract where the required language of prompt payment to subcontractors was not included in the contract with the prime contractor.

**Effect:** Noncompliance with Minn. Stat. § 471.425.

**Cause:** The City does not often enter into contracts over \$175,000 and was not aware the language was missing. The City often relies on the project engineer to ensure compliance with Minn. Statutes.

**Recommendation:** We recommend that the City abide by the existing procedures that include contracting requirements so those overseeing the contracting process will be informed of the statutory requires to ensure compliance with applicable statutes for all future contracts.

**City's Response:** *The City has taken necessary measures to ensure all bidding and contracting is in compliance with Minnesota law.*

**ITEMS ARISING THIS YEAR**

**Finding Number: 2025-003**

**Finding Title: Deficit Cash Balance**

**Criteria:** Minnesota Statute § 412.741 states, "No order shall be issued until there is money to the credit of the fund from which it is to be paid sufficient to pay the order." Minnesota Statute § 471.75 permits payment of expenditures provided there is money in that fund for that purpose.

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

**Condition:** The City of Twin Valley had one fund where expenditures were in excess of revenues creating a deficit cash balance.

**Context:** As of December 31, 2025, the Long-Term Capital Projects Fund has a deficit cash balance of \$36,417.

**Effect:** Allowing a fund to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other funds of the City and is in noncompliance with Minnesota Stat. §471.75.

**Cause:** Expenditures have been made for funds with insufficient cash to cover the expenditures.

**Recommendation:** Management must be aware of the balances in each account and appropriately transfer between accounts. In addition, management needs to continue monitoring funds to see if levees are appropriate to cover costs.

**City's Response:** *The City is aware of the deficit, and City Council and management will closely monitor all cash balances and transfer from another fund to avoid overspending in the future. This year was exceptional with the projects within the City.*



## CITY OF TWIN VALLEY

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### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2025

**Finding Number: 2025-001**

**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, 2026.

**Finding Number: 2025-002**

**Finding Title: Contract Compliance**

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

**Corrective Action Planned:** The City has taken necessary measures to ensure all bidding and contracting is in compliance with Minnesota law.

**Anticipated Completion Date:** December 31, 2026.

**Finding Number: 2025-003**

**Finding Title: Deficit Cash Balance**

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

**Corrective Action Planned:** The City will closely monitor all cash balances and transfers from other funds to avoid overspending in the future.

**Anticipated Completion Date:** December 31, 2026.



## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2025

**Finding Number: 2024-001**

**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.

**Finding Number: 2024-002**

**Finding Title: Contract Compliance**

**Summary of Condition:** The City was not in compliance with the following State of Minnesota contracting and bid law requirement:

**Contract Language:** Minn. Stat. § 471.425, subd. 4a., requires that the contract between the government entity and a prime contractor contains language that requires the prime contractor to pay subcontractors within ten days of receipt of payment from the government entity or pay interest at the rate of 1.5 percent per month or any part of a month. For the contract tested, the City did not include this specific language in the contract with the prime contractor.

**Summary of Corrective Action:** The City does not often enter into contracts over \$175,000 and was not aware the language was missing. The City has taken necessary measures to ensure that all bidding and contracting is in compliance with Minnesota Law.

**Status:** Not corrected.