

**BALDWIN TOWNSHIP, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**SCHLENNER WENNER & CO.**  
**Certified Public Accountants**  
**& Business Consultants**

BALDWIN TOWNSHIP, MINNESOTA

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**INTRODUCTORY  
SECTION**

**BALDWIN TOWNSHIP, MINNESOTA  
TOWN BOARD AND ADMINISTRATION  
DECEMBER 31, 2016**

**BOARD OF SUPERVISORS**

		<u>Term Expires</u>
Brad Schumacher	Chairman	March 2018
Tom Rush	Vice Chairman	March 2019
Larry Handshoe	Supervisor	March 2019
Jeff Holm	Supervisor	March 2017
Jay Swanson	Supervisor	March 2018

**ADMINISTRATION**

Cathy Stevens	Clerk/Treasurer	Appointed
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**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

June 2, 2017

Board of Supervisors  
Baldwin Township  
Sherburne County, Minnesota

### Report on 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 Baldwin Township, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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**St. Cloud**  
320.251.0286

**Little Falls**  
320.632.6311

**Albany**  
320.845.2940

**Maple Lake**  
320.963.5414

**Monticello**  
763.295.5070

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Road & Bridge Fund	Unmodified
Fire Fund	Unmodified
Capital Project Fund	Unmodified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

### Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, and Sewer Fund

Management has not recorded capital assets in governmental activities, business-type activities, and the sewer fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, and sewer fund. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and sewer fund has not been determined.

Management has elected not to adopt Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and, accordingly, has not recorded a net pension asset/liability, or related balances and activity. Accounting principles generally accepted in the United States of America require that these balances and activity be recorded in the government wide Statement of Net Position and Statement of Activities. The amount by which this departure would affect the assets/liabilities, net position, and expenses of the governmental activities has not been determined.

Management has not recorded a capital lease in governmental activities, and instead, recorded an expense related to the current year payment. Accounting principles generally accepted in the United States of America require that capital leases be recorded as a liability with payments reducing that liability, which would increase the liabilities and decrease net position and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

### Qualified Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, and Sewer Fund” paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and sewer fund of Baldwin Township, Minnesota, as of December 31, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the Sewer Fund and the aggregate remaining fund information of Baldwin Township, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section and combining nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2017 on our consideration of Baldwin Township's internal control of financial reporting and 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 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 Baldwin Township's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minnesota Statutes, we have also issued our report dated June 2, 2017, on our consideration of Baldwin Township's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Towns*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the Township has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

*Schlenner Wenner & Co.*

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**BALDWIN TOWNSHIP, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,012,677	\$ -	\$ 1,012,677
Property Taxes Receivable	61,420	-	61,420
Accounts Receivable	914	4,617	5,531
Internal Balances	76,995	(76,995)	-
Prepays	12,441	317	12,758
	1,164,447	(72,061)	1,092,386
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts Payable	46,361	30,394	76,755
Salaries Payable	26,195	-	26,195
Accrued Interest Payable	3,620	-	3,620
Noncurrent Liabilities:			
Due Within One Year	88,000	-	88,000
Due After One Year	125,154	-	125,154
	289,330	30,394	319,724
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Unrestricted	\$ 875,117	\$ (102,455)	\$ 772,662

**BALDWIN TOWNSHIP, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General Government	\$ 188,810	\$ 16,540	\$ -	\$ (172,270)	\$ -	\$ (172,270)
Public Safety	138,613	1,140	2,400	(135,073)	-	(135,073)
Public Works	472,827	17,016	45,837	(409,974)	-	(409,974)
Parks and Recreation	91,985	-	-	(91,985)	-	(91,985)
Cemetery	1,169	-	-	(1,169)	-	(1,169)
Interest and Fiscal Charges	32,654	-	-	(32,654)	-	(32,654)
<b>Total Governmental Activities</b>	<b>926,058</b>	<b>34,696</b>	<b>48,237</b>	<b>(843,125)</b>	<b>-</b>	<b>(843,125)</b>
<b>Business-Type Activities:</b>						
Sewer	114,483	30,777	-	-	(83,706)	(83,706)
<b>TOTALS</b>	<b>\$ 1,040,541</b>	<b>\$ 65,473</b>	<b>\$ 48,237</b>	<b>(843,125)</b>	<b>(83,706)</b>	<b>(926,831)</b>
<b>General Revenues:</b>						
Taxes				961,706	336	962,042
Intergovernmental				46,957	-	46,957
Miscellaneous				61,062	-	61,062
Investment Income				885	-	885
<b>Total General Revenues</b>				<b>1,070,610</b>	<b>336</b>	<b>1,070,946</b>
<b>CHANGE IN NET POSITION</b>				<b>227,485</b>	<b>(83,370)</b>	<b>144,115</b>
<b>NET POSITION - BEGINNING OF YEAR</b>				<b>647,632</b>	<b>(19,085)</b>	<b>628,547</b>
<b>NET POSITION - END OF YEAR</b>				<b>\$ 875,117</b>	<b>\$ (102,455)</b>	<b>\$ 772,662</b>

**BALDWIN TOWNSHIP, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	General Fund	Road & Bridge Fund	Fire Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 219,463	\$ 578,193	\$ 127,960	\$ -	\$ 87,061	\$ 1,012,677
Property Taxes Receivable	13,248	30,713	7,596	3,772	6,091	61,420
Accounts Receivable	914	-	-	-	-	914
Due from Other Funds	90,248	-	-	-	-	90,248
Prepays	4,468	3,093	4,880	-	-	12,441
<b>TOTAL ASSETS</b>	<b>\$ 328,341</b>	<b>\$ 611,999</b>	<b>\$ 140,436</b>	<b>\$ 3,772</b>	<b>\$ 93,152</b>	<b>\$ 1,177,700</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3,676	\$ 37,576	\$ 4,930	\$ -	\$ 179	\$ 46,361
Salaries Payable	3,629	3,969	18,597	-	-	26,195
Due to Other Funds	-	-	-	13,253	-	13,253
<b>Total Liabilities</b>	<b>7,305</b>	<b>41,545</b>	<b>23,527</b>	<b>13,253</b>	<b>179</b>	<b>85,809</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Property Taxes	4,333	10,358	2,511	1,518	1,784	20,504
<b>FUND BALANCES</b>						
Nonspendable	4,468	3,093	4,880	-	-	12,441
Assigned	5,805	557,003	109,518	-	91,189	763,515
Unassigned	306,430	-	-	(10,999)	-	295,431
<b>Total Fund Balances</b>	<b>316,703</b>	<b>560,096</b>	<b>114,398</b>	<b>(10,999)</b>	<b>91,189</b>	<b>1,071,387</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 328,341</b>	<b>\$ 611,999</b>	<b>\$ 140,436</b>	<b>\$ 3,772</b>	<b>\$ 93,152</b>	<b>\$ 1,177,700</b>

**BALDWIN TOWNSHIP, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

Total Fund Balance for Governmental Funds	\$	1,071,387
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some of the Township's property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds:		20,504
Interest payable on long-term debt does not require current financial resources and, therefore, is not reported as a liability in the governmental funds Balance Sheet:		(3,620)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds Balance Sheet:		
Certificates of Indebtedness	\$ (212,000)	
Compensated Absences Payable	<u>(1,154)</u>	
		<u>(213,154)</u>
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>875,117</u></b>

**BALDWIN TOWNSHIP, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Road & Bridge Fund	Fire Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ 206,880	\$ 480,292	\$ 119,688	\$ 53,043	\$ 101,764	\$ 961,667
Intergovernmental	10,513	45,837	36,688	-	-	93,038
Charges for Services	5,083	6,339	3,540	-	-	14,962
Licenses and Permits	351	-	-	-	-	351
Fines	-	10,677	-	-	-	10,677
Miscellaneous	34,918	126	4,230	-	32,650	71,924
Investment Income	115	195	41	-	534	885
<b>TOTAL REVENUES</b>	<u>257,860</u>	<u>543,466</u>	<u>164,187</u>	<u>53,043</u>	<u>134,948</u>	<u>1,153,504</u>
<b>EXPENDITURES</b>						
Current:						
General Government	188,567	-	-	-	-	188,567
Public Safety	2,775	-	134,746	-	1,092	138,613
Public Works	3,375	419,111	-	-	50,312	472,798
Culture and Recreation	10,554	-	-	-	81,431	91,985
Cemetery	-	-	-	-	1,169	1,169
Debt Service:						
Principal	-	-	-	53,000	23,520	76,520
Interest	-	-	-	5,842	3,161	9,003
<b>TOTAL EXPENDITURES</b>	<u>205,271</u>	<u>419,111</u>	<u>134,746</u>	<u>58,842</u>	<u>160,685</u>	<u>978,655</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	52,589	124,355	29,441	(5,799)	(25,737)	174,849
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	-	-	-	-	34,500	34,500
Operating Transfers Out	-	(34,500)	-	-	-	(34,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(34,500)</u>	<u>-</u>	<u>-</u>	<u>34,500</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	52,589	89,855	29,441	(5,799)	8,763	174,849
<b>FUND BALANCES - BEGINNING</b>	<u>264,114</u>	<u>470,241</u>	<u>84,957</u>	<u>(5,200)</u>	<u>82,426</u>	<u>896,538</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 316,703</u>	<u>\$ 560,096</u>	<u>\$ 114,398</u>	<u>\$ (10,999)</u>	<u>\$ 91,189</u>	<u>\$ 1,071,387</u>

**BALDWIN TOWNSHIP, MINNESOTA  
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds \$ 174,849

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Proceeds from the issuance of long-term debt is an other financing source in the governmental funds, while repayment of debt principal is an expenditure in the governmental funds. However, neither transaction has any effect on net position:

Repayment of Certificate of Indebtedness Principal 53,000

Net change in accrued interest on bonds is not reported as expenses in the funds: (131)

Delinquent and unearned taxes will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows in the governmental funds:

Unavailable Revenue - December 31, 2015	\$ (20,465)	
Unavailable Revenue - December 31, 2016	<u>20,504</u>	39

Compensated Absences are reported in the Statement of Activities as expenses. However, these expenses do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

(272)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 227,485**

**BALDWIN TOWNSHIP, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
DECEMBER 31, 2016**

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Accounts Receivable	\$ 4,617
Prepays	<u>317</u>
<b>TOTAL ASSETS</b>	4,934
<b>LIABILITIES</b>	
Accounts Payable	30,394
Due to Other Funds	<u>76,995</u>
<b>TOTAL LIABILITIES</b>	<u>107,389</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ (102,455)</u>

**BALDWIN TOWNSHIP, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	Sewer Fund
<b>CHARGES FOR SERVICES</b>	\$ 30,777
<b>OPERATING EXPENSES</b>	
Wages and Benefits	746
Materials and Supplies	1,669
Other Services and Charges	112,068
<b>TOTAL OPERATING EXPENSES</b>	114,483
<b>NET OPERATING LOSS</b>	(83,706)
<b>NONOPERATING REVENUE</b>	
Taxes	336
<b>CHANGE IN NET POSITION</b>	(83,370)
<b>NET POSITION-BEGINNING OF YEAR</b>	(19,085)
<b>NET POSITION-END OF YEAR</b>	\$ (102,455)

**BALDWIN TOWNSHIP, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 26,160
Cash Paid to Suppliers	(88,227)
Cash Paid to Employees	(746)
	(62,813)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(62,813)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Nonoperating Receipts	336
Transfers from Other Funds	62,477
	62,813
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>62,813</b>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents-Beginning of Year	-
Cash and Cash Equivalents-End of Year	\$ -
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Net Operating Loss	\$ (83,706)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Change in Assets and Liabilities:	
Accounts Receivable	(4,617)
Prepaids	(317)
Accounts Payable	25,827
	25,827
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (62,813)</b>

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Baldwin Township (the Township), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, with the exception of the application of GASB 68 and 71, which the Township has chosen not to implement. These statements specify how the net pension liability/asset is determined and requires significant note disclosures.

**1.A.      FINANCIAL REPORTING ENTITY**

The Township is a town located in Sherburne County, Minnesota. It is governed by an elected board of five supervisors who reside in the Township.

In determining the financial reporting entity, the Township complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the Township appointed a voting majority of the units' board; the Township is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Township's Board of Supervisors or the component unit provides services entirely to the Township. These component units' funds are blended into those of the Township's by appropriate activity type to compose the primary government presentation. Currently, the Township does not have any blended component units.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Township has no discretely presented component units.

**1.B.      BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. The government-wide statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within both of these categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B.    BASIS OF PRESENTATION (Continued)**

**Fund Financial Statements (Continued)**

The Township reports the following major governmental funds:

*General Fund*

The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Road and Bridge Fund*

The Road and Bridge Fund is used to account for proceeds of specific revenue sources that are related to expenditures for the operation and maintenance of roads and bridges within the Township.

*Fire Fund*

The Fire Fund is used to account for proceeds of specific revenue sources that are related to expenditures for public safety purposes.

*Debt Service Fund*

This fund accounts for proceeds and payments of principal and interest on general long-term debt.

The Township reports the following major proprietary fund:

*Sewer Fund*

This fund accounts for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the Township reports the following non-major funds:

*Cemetery Fund*

This fund accounts for the proceeds of specific revenue sources related to expenditures for the Township cemetery.

*Parks and Recreation Fund*

This fund accounts for proceeds of specific revenue sources related to expenditures for culture and recreation purposes.

*Capital Project Fund*

This fund is used to account for financial resources to be used for the acquisition or construction of capital projects.

*Fire Equipment Fund*

This fund accounts for financial resources to be used for the acquisition and construction of capital projects for the fire department.

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C.      MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the *economic resources* measurement focus as defined in the second bullet point below:

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual basis of accounting*. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting.

**1.D.      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, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1.E.      ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Cash and Cash Equivalents**

For purposes of the Statement of Net Position, “cash and cash equivalents” includes all checking and savings accounts of the Township. See Note 3.A. for additional information related to cash and cash equivalents.

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E.   ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No such allowances are deemed necessary at year end. Major receivable balances for the governmental activities include taxes. Business-type activities report utility charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are considered deferred inflows of resources in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances are deemed necessary at year end.

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.D. for details of interfund transactions, including receivables and payables at year-end.

**Prepaid Expenditures/Expenses**

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**Compensated Absences**

It is the Township's policy to permit employees to accumulate a limited amount of earned but unused vacation leave. All vacation pay is accrued when incurred in the government-wide financial statements.

Vacation leave accrues monthly based on the number of years of service from a minimum of 40 hours per year to a maximum of 200 hours per year. Employees may accrue vacation leave up to a maximum of 1 ½ times the employee's annual accrual rate.

Compensated absences amount to \$1,154 at December 31, 2016.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of certificates of indebtedness.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E.    ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Deferred Inflows of Resources**

In addition to liabilities, the Balance Sheet reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The Township reports only one type of transaction, property taxes, as deferred inflows of resources, and accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available. Because this type of unavailable revenue is only reported under a modified accrual basis of accounting, deferred inflows of resources are only reported in the governmental funds Balance Sheet.

**Equity Classifications**

Government-wide Statements

Equity is classified as net position and displayed in two components:

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted.”

It is the Township’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the Township incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the Township incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2016 consist of prepaid expenditures.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Township Board of Supervisors.

Assigned – Amounts that are constrained by the Township’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The Township has formally adopted a policy under which it strives to maintain a minimum unassigned general fund balance equal to approximately 20% of annual budgeted operating expenses.

See Note 3.E. for additional disclosures.

**BALDWIN TOWNSHIP, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E.    ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Equity Classifications (Continued)**

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described above.

**1.F.    REVENUES AND EXPENDITURES**

**Property Tax**

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt. The Township levies its property tax for the subsequent year during the month of December. The County of Sherburne is the collecting agency for the levy and remits the collections to the Township. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

December 31<sup>st</sup> is the last day the Township can certify a tax levy to the County Auditor for collection the following year. The County Auditor makes up the tax list for all taxable property in the Township and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the Township. The County Auditor remits a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year. The County Treasurer collects all taxes and assessments, except as noted above. The County Treasurer mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
Proprietary Fund - By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. See Note 3.D. for additional information.

**BALDWIN TOWNSHIP, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016**

**NOTE 2            STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2.A.    FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

By its nature, as a local government unit, the Township is subject to various federal, state, and local laws and contractual regulations. The Township complies with all state and local laws and regulations requiring the use of separate funds.

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The Township complies with such laws.

**2.B.    BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the following funds: General, Road and Bridge, Cemetery, Fire, Parks and Recreation, Capital Project, Fire Equipment, Debt Service, and Sewer Fund.

In December of each year, the Township Board approves the proposed operating budget (submitted by the Clerk/Treasurer) for the year commencing the following January 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

The Township Board makes changes as necessary. The budget is legally enacted through passage of resolution. Expenditures may not legally exceed budget appropriations at the fund level. No fund's budget can be increased without the Township Board approval. The Township Board may authorize transfer of budgeted amounts between departments with any fund. Management may amend budgets within a fund level, as long as the total fund budget is not changed.

**2.C.    EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures exceeded total budgeted expenditures for the current year end as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Transfers Included in Actual
Fire	<u>\$            120,000</u>	<u>\$            134,746</u>	<u>\$                    -</u>

The expenditures in excess of budget were primarily due to the Township expenditures for capital outlay, general administration and public safety. The expenditures in excess of budget were funded by available fund balances.

**2.D.    DEFICIT FUND EQUITY**

A fund balance deficit exists in one nonmajor governmental fund. This deficit is the result of the Township making payments on outstanding debt, transfers to other funds, and expenditures in excess of revenues and available resources. All deficits are expected to be eliminated through future fund revenues and transfers from other funds.

**NOTE 3            DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

**BALDWIN TOWNSHIP, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3           DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A.    CASH AND CASH EQUIVALENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the Township maintains deposits at depository banks authorized by the Township's Board of Supervisors.

Minnesota Statutes require that all Township deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2016, the Township's deposits were not exposed to custodial credit risk. The Township's deposits were sufficiently covered by federal depository insurance or by collateral held by the government's agent in the government's name.

**Investments**

The Township may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The Township does not have any investment policies that would further limit investment choices. At December 31, 2016, the Township does not hold any investments.

**BALDWIN TOWNSHIP, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3      DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.B.      NONCURRENT LIABILITIES**

As of December 31, 2016, the long-term debt of the financial reporting entity, excluding compensated absences payable, consists of the following:

General Obligation Certificates of Indebtedness					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
12/09	\$ 285,000	\$35,000 - 45,000	4.00%	02/17	\$ 45,000
04/13	40,000	\$4,000 - 8,000	2.50%	06/18	12,000
11/15	155,000	\$30,000 - 35,000	2.50%	02/21	155,000
					Total Governmental Activities Debt Payable
					212,000
					Debt Due Within One Year
					88,000
					Debt Due After One Year
					\$ 124,000

All certificates are direct obligations of the Township and pledge the full faith and credit of the Township.

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Certificates	\$ 265,000	\$ -	\$ (53,000)	\$ 212,000	\$ 88,000
Compensated Absences Payable	882	272	-	1,154	-
<b>Total</b>	<b>\$ 265,882</b>	<b>\$ 272</b>	<b>\$ (53,000)</b>	<b>\$ 213,154</b>	<b>\$ 88,000</b>

**Annual Debt Service Requirements**

At December 31, 2016, the estimated annual debt service requirements to maturity, including principal and interest, and excluding compensated absences payable are as follows:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 88,000	\$ 4,639	\$ 92,639
2018	34,000	2,714	36,714
2019	30,000	1,904	31,904
2020	30,000	1,146	31,146
2021	30,000	383	30,383
Total	\$ 212,000	\$ 10,786	\$ 222,786

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 3      DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.B.      NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements (Continued)**

Debt service requirements are financed by the Debt Service fund. Interest and fiscal charges expense for long-term debt totals \$5,973 for the Statement of Activities. Interest expenditures for long-term debt are \$5,842 for the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

**3.C.      LEASES**

The Township rents twenty self-contained breathing apparatuses for the fire department under a capital lease. The Township pays principal and interest payments biannually, and the lease expires on January 15, 2020. Lease expense, including principal and interest, totals \$26,681 for the year ended December 31, 2016.

At December 31, 2016, estimated future minimum lease payments for the fire equipment lease are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2017	\$ 24,229	\$ 2,453	\$ 26,682
2018	24,959	1,723	26,682
2019	25,711	971	26,682
2020	13,144	197	13,341
Total	<u>\$ 88,043</u>	<u>\$ 5,344</u>	<u>\$ 93,387</u>

**3.D.      INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2016:

Major Funds	Transfers Out	Transfers In	
		Non-Major Fund Governmental	Total
Road and Bridge	\$ 34,500	\$ 34,500	\$ 34,500

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 3      DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.D.      INTERFUND TRANSACTIONS AND BALANCES (Continued)**

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The interfund balances are as follows:

Short-Term Balances		Amount	Reason
Due To Fund	Due From Fund		
General	Debt Service	\$ 13,253	Eliminate negative cash
General	Sewer	76,995	Eliminate negative cash
Total Interfund Balances		90,248	
Governmental fund elimination		(13,253)	
Total government-wide internal balances		\$ 76,995	

Interfund balances are to be repaid as cash flows become available.

**3.E.      FUND EQUITY**

At December 31, 2016, fund equity is classified as follows:

	General	Road and Bridge	Fire	Fire Equipment	Cemetery	Parks and Recreation	Capital Project	Debt Service	Total
Non-spendable (prepaids)	\$ 4,468	\$ 3,093	\$ 4,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,441
Assigned									
Funfest	1,000	-	-	-	-	-	-	-	1,000
Future Development	4,805	-	-	-	-	-	-	-	4,805
Road and Bridge	-	557,003	-	-	-	-	-	-	557,003
Fire	-	-	109,518	-	-	-	-	-	109,518
Fire Equipment	-	-	-	8,420	-	-	-	-	8,420
Cemetery	-	-	-	-	14,868	-	-	-	14,868
Parks and Recreation	-	-	-	-	-	23,089	-	-	23,089
Capital Project	-	-	-	-	-	-	44,812	-	44,812
Unassigned	306,430	-	-	-	-	-	-	(10,999)	295,431
<b>Total</b>	<b>\$ 316,703</b>	<b>\$ 560,096</b>	<b>\$ 114,398</b>	<b>\$ 8,420</b>	<b>\$ 14,868</b>	<b>\$ 23,089</b>	<b>\$ 44,812</b>	<b>\$ (10,999)</b>	<b>\$ 1,071,387</b>

**BALDWIN TOWNSHIP, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4      OTHER NOTES**

**4.A.      DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**Plan Description**

All full-time and certain part-time employees of Baldwin Township are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Fund, which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and survivor benefits upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement plan benefits are based on a member's highest average salary for any 60 successive months of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all General Employees Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Plan. That report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org).

**Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Township makes annual contributions to the pension plans equal to the amount required by State Statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2016. In 2016, the Township was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent for Coordinated Plan members. The Township's contributions to the General Employees Fund for the years ending December 31, 2016, 2015, and 2014 total \$9,148, \$7,867, and \$9,107, respectively. The Township's contributions were equal to the contractually required contributions for each year as set by State Statute.

**BALDWIN TOWNSHIP, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 4. OTHER NOTES (Continued)**

**4.B. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the Township purchases commercial insurance. The Township retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

**4.C. COMMITMENTS**

During the year, the Township entered into a cost-share agreement with the County for election equipment. The agreement requires a yearly payment of \$3,463 starting in 2017. The total commitment for this agreement as of December 31, 2016 is \$13,852.

**4.D. SUBSEQUENT EVENTS**

Subsequent to year end and prior to the issuance of these financial statements, the Township approved bids for various road repairs in the amount of \$205,650, as well as a sewer repair project in the amount of \$325,577.

Also subsequent to year end and prior to the issuance of these financial statements, the Township approved the purchase of various equipment totaling \$359,126.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

**BALDWIN TOWNSHIP, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes	\$ 210,268	\$ 206,880	\$ (3,388)
Intergovernmental	8,112	10,513	2,401
Charges for Services	4,000	5,083	1,083
Licenses and Permits	-	351	351
Miscellaneous	9,800	34,918	25,118
Investment Income	6	115	109
<b>AMOUNTS AVAILABLE</b>	232,186	257,860	25,674
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
General Government	197,699	188,567	(9,132)
Public Safety	3,300	2,775	(525)
Public Works	5,000	3,375	(1,625)
Culture and Recreation	-	10,554	10,554
<b>TOTAL CHARGES</b>	205,999	205,271	(728)
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	\$ 26,187	52,589	\$ 26,402
<b>FUND BALANCE - BEGINNING</b>		264,114	
<b>FUND BALANCE - ENDING</b>		\$ 316,703	

**BALDWIN TOWNSHIP, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE - ROAD AND BRIDGE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes	\$ 487,900	\$ 480,292	\$ (7,608)
Intergovernmental	45,300	45,837	537
Charges for Services	5,700	6,339	639
Fines	9,000	10,677	1,677
Miscellaneous	-	126	126
Investment Income	62	195	133
<b>AMOUNTS AVAILABLE</b>	547,962	543,466	(4,496)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Public Works	481,000	419,111	(61,889)
Transfers Out	-	34,500	34,500
<b>TOTAL CHARGES</b>	481,000	453,611	(27,389)
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	\$ 66,962	89,855	\$ 22,893
<b>FUND BALANCE - BEGINNING</b>		470,241	
<b>FUND BALANCE - ENDING</b>		\$ 560,096	

**BALDWIN TOWNSHIP, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE - FIRE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes	\$ 131,840	\$ 119,688	\$ (12,152)
Intergovernmental	36,180	36,688	508
Charges for Services	-	3,540	3,540
Miscellaneous	2,275	4,230	1,955
Investment Income	6	41	35
<b>AMOUNTS AVAILABLE</b>	<b>170,301</b>	<b>164,187</b>	<b>(6,114)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Public Safety	120,000	134,746	14,746
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	<b>\$ 50,301</b>	<b>29,441</b>	<b>\$ (20,860)</b>
<b>FUND BALANCE - BEGINNING</b>		84,957	
<b>FUND BALANCE - ENDING</b>		<b>\$ 114,398</b>	

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**BALDWIN TOWNSHIP, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	Cemetery Fund	Parks and Recreation Fund	Capital Project Fund	Fire Equipment Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 14,867	\$ 21,798	\$ 43,022	\$ 7,374	\$ 87,061
Property Taxes Receivable	3	2,069	2,641	1,378	6,091
<b>TOTAL ASSETS</b>	<b>\$ 14,870</b>	<b>\$ 23,867</b>	<b>\$ 45,663</b>	<b>\$ 8,752</b>	<b>\$ 93,152</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ 179	\$ -	\$ -	\$ 179
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	2	599	851	332	1,784
<b>FUND BALANCES</b>					
Assigned	14,868	23,089	44,812	8,420	91,189
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 14,870</b>	<b>\$ 23,867</b>	<b>\$ 45,663</b>	<b>\$ 8,752</b>	<b>\$ 93,152</b>

**BALDWIN TOWNSHIP, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Cemetery Fund	Parks and Recreation Fund	Capital Project Fund	Fire Equipment Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 4	\$ 34,834	\$ 42,095	\$ 24,831	\$ 101,764
Miscellaneous	-	22,650	-	10,000	32,650
Investment Income	11	516	7	-	534
<b>TOTAL REVENUES</b>	<u>15</u>	<u>58,000</u>	<u>42,102</u>	<u>34,831</u>	<u>134,948</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	-	1,092	1,092
Public Works	-	-	50,312	-	50,312
Culture and Recreation	-	81,431	-	-	81,431
Cemetery	1,169	-	-	-	1,169
Debt Service:					
Principal	-	-	-	23,520	23,520
Interest	-	-	-	3,161	3,161
<b>TOTAL EXPENDITURES</b>	<u>1,169</u>	<u>81,431</u>	<u>50,312</u>	<u>27,773</u>	<u>160,685</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,154)	(23,431)	(8,210)	7,058	(25,737)
<b>OTHER FINANCING SOURCES</b>					
Transfers In	-	34,500	-	-	34,500
<b>NET CHANGE IN FUND BALANCES</b>	(1,154)	11,069	(8,210)	7,058	8,763
<b>FUND BALANCES - BEGINNING</b>	<u>16,022</u>	<u>12,020</u>	<u>53,022</u>	<u>1,362</u>	<u>82,426</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 14,868</u>	<u>\$ 23,089</u>	<u>\$ 44,812</u>	<u>\$ 8,420</u>	<u>\$ 91,189</u>

**OTHER REPORTS**

**INDEPENDENT AUDITORS' 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**

June 2, 2017

Board of Supervisors  
Baldwin Township  
Sherburne County, Minnesota

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 Baldwin Township, Minnesota (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Baldwin Township's basic financial statements and have issued our report thereon dated June 2, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* 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 such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Responses* that we consider to be material weaknesses and a significant deficiency: 2015-001 and 2015-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2015-003.

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Monticello  
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### **Compliance and Other Matters**

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

### **Township's Response to Findings**

Baldwin Township's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schlenner Wenner & Co.*

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

**BALDWIN TOWNSHIP, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding 2015-001    Limited Segregation of Duties**

*Condition:*                    The Township has limited segregation of accounting duties.

*Criteria:*                     The basic premise of proper segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of the transaction.

*Cause:*                        There are a limited number of employees.

*Effect:*                        The Township's lack of adequate segregation of accounting duties could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:*        Although the number of employees may not be large enough to eliminate this deficiency, we recommend that the Township continue to evaluate current procedures and segregate where possible and implement compensating controls.

*Management's Response:* Management agrees with the recommendation.

**Finding 2015-002    Material Audit Adjustments**

*Condition:*                    Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:*                     The Township is required to report accurate financial information.

*Cause:*                        The Township failed to record all year-end adjustments required under the accrual basis of accounting and various other adjustments were required to correct misstatements.

*Effect:*                        The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*        We recommend management perform a thorough review of the trial balance prior to the audit and ensure all accounts have been properly adjusted at year-end.

*Management's Response:* Management agrees with the recommendation.

**BALDWIN TOWNSHIP, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding 2015-003      Financial Statement Preparation**

*Condition:*                      Schlenner Wenner & Co. drafts the financial statements for the Township. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them. However, we believe that management would require additional training in accounting principles generally accepted in the United States of America to adequately apply such standards internally.

*Criteria:*                         The Township is required to report accurate financial information.

*Cause:*                             Management does not have adequate skill to prepare the financial statements.

*Effect:*                            The inability to properly prepare the Township's financial statements would result in improper financial reporting.

*Recommendation:*            While the Township may not have adequate controls in place to eliminate this finding, the Township should adopt an internal control policy to document its annual review of the financial statements.

*Management's Response:*    Management agrees with the recommendation.

**INDEPENDENT AUDITORS' REPORT  
ON MINNESOTA LEGAL COMPLIANCE**

June 2, 2017

Board of Supervisors  
Baldwin Township  
Sherburne County, Minnesota

We have audited, 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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baldwin Township, Minnesota (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2017.

The *Minnesota Legal Compliance Audit Guide for Towns*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, contains six categories of compliance to be tested: deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, contracting and bidding, and miscellaneous provisions. Our audit considered all of the listed categories.

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

This report is intended for the information and use of those charged with governance and management of Baldwin Township and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

*Schlenner Wenner & Co.*

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

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