

BALDWIN TOWNSHIP, MINNESOTA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

BALDWIN TOWNSHIP, MINNESOTA

TABLE OF CONTENTS

INTRODUCTORY SECTION:

TOWN BOARD AND ADMINISTRATION 1

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT..... 2

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Position..... 6

Statement of Activities 7

Fund Financial Statements:

Balance Sheet-Governmental Funds..... 8

Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Position 9

Statement of Revenues, Expenditures,
and Changes in Fund Balances-Governmental Funds 10

Reconciliation of Changes in Fund Balance of
Governmental Funds to the Statement of Activities 11

Statement of Net Position-Proprietary Funds 12

Statement of Revenues, Expenses, and
Changes in Net Position-Proprietary Funds 13

Statement of Cash Flows-Proprietary Funds 14

Notes to the Basic Financial Statements..... 15

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund 28

Budgetary Comparison Schedule – Road and Bridge Fund..... 29

Budgetary Comparison Schedule – Fire Fund 30

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds 31

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds 32

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..... 33

Schedule of Findings and Responses 35

Independent Auditors' Report on Minnesota Legal Compliance..... 37

**INTRODUCTORY
SECTION**

**BALDWIN TOWNSHIP, MINNESOTA
TOWN BOARD AND ADMINISTRATION
DECEMBER 31, 2015**

<u>Board of Supervisors</u>	<u>Title</u>	<u>Term Expires</u>
Jay Swanson	Chairperson	March 2018
Tom Rush	Vice Chairperson	March 2016
Randy Atwood	Supervisor	March 2016
Jeff Holm	Supervisor	March 2017
Brad Schumacher	Supervisor	March 2018
 <u>Administration</u>		
Cathy Stevens	Clerk/Treasurer	

**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

March 17, 2016

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, 2015, 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.

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, 2015, 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, 2015, 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 March 17, 2016 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 March 17, 2016, on our consideration of Baldwin Township's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 918,711	\$ -	\$ 918,711
Property Taxes Receivable	49,069	-	49,069
Accounts Receivable	8,646	-	8,646
Internal Balances	14,518	(14,518)	-
Prepays	12,324	-	12,324
TOTAL ASSETS	1,003,268	(14,518)	988,750
LIABILITIES			
Accounts Payable	59,966	4,567	64,533
Salaries Payable	26,299	-	26,299
Accrued Interest Payable	3,489	-	3,489
Noncurrent Liabilities:			
Due Within One Year	53,000	-	53,000
Due After One Year	212,882	-	212,882
TOTAL LIABILITIES	355,636	4,567	360,203
NET POSITION			
Unrestricted	647,632	(19,085)	628,547
TOTAL NET POSITION	\$ 647,632	\$ (19,085)	\$ 628,547

**BALDWIN TOWNSHIP, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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
Governmental Activities:						
General Government	\$ 189,498	\$ 13,312	\$ -	\$ (176,186)	\$ -	\$ (176,186)
Public Safety	243,934	12,404	-	(231,530)	-	(231,530)
Public Works	605,917	13,930	-	(591,987)	-	(591,987)
Parks and Recreation	50,914	-	-	(50,914)	-	(50,914)
Cemetery	982	500	-	(482)	-	(482)
Interest and Fiscal Charges	19,699	-	-	(19,699)	-	(19,699)
Total Governmental Activities	1,110,944	40,146	-	(1,070,798)	-	(1,070,798)
Business-Type Activities:						
Sewer	7,746	-	6,000	-	(1,746)	(1,746)
TOTALS	\$ 1,118,690	\$ 40,146	\$ 6,000	(1,070,798)	(1,746)	(1,072,544)
General Revenues (Expenses):						
Taxes				930,977	-	930,977
Intergovernmental				133,646	-	133,646
Miscellaneous				87,944	-	87,944
Investment Income				82	-	82
Transfers				17,339	(17,339)	-
Total General Revenues (Expenses) and Transfers				1,169,988	(17,339)	1,152,649
CHANGE IN NET POSITION				99,190	(19,085)	80,105
NET POSITION - BEGINNING OF YEAR				548,442	-	548,442
NET POSITION - END OF YEAR				\$ 647,632	\$ (19,085)	\$ 628,547

**BALDWIN TOWNSHIP, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Road & Bridge Fund	Fire Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 237,228	\$ 472,542	\$ 125,064	\$ 51,755	\$ 32,122	\$ 918,711
Property Taxes Receivable	10,798	25,114	5,351	2,176	5,630	49,069
Accounts Receivable	-	-	8,646	-	-	8,646
Due from Other Funds	21,379	-	-	-	-	21,379
Prepays	4,468	2,553	5,303	-	-	12,324
TOTAL ASSETS	\$ 273,873	\$ 500,209	\$ 144,364	\$ 53,931	\$ 37,752	\$ 1,010,129
LIABILITIES						
Accounts Payable	\$ 2,971	\$ 16,948	\$ 35,694	\$ -	\$ 4,353	\$ 59,966
Salaries Payable	2,420	2,584	21,295	-	-	26,299
Due to Other Funds	-	-	-	-	6,861	6,861
Total Liabilities	5,391	19,532	56,989	-	11,214	93,126
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	4,368	10,436	2,418	909	2,334	20,465
FUND BALANCES						
Nonspendable	4,468	2,553	5,303	-	-	12,324
Assigned	5,805	467,688	79,654	53,022	29,404	635,573
Unassigned	253,841	-	-	-	(5,200)	248,641
Total Fund Balance	264,114	470,241	84,957	53,022	24,204	896,538
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 273,873	\$ 500,209	\$ 144,364	\$ 53,931	\$ 37,752	\$ 1,010,129

**BALDWIN TOWNSHIP, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total Fund Balance for Governmental Funds	\$	896,538
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:		20,465
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:		(3,489)
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	\$ (265,000)	
Compensated Absences Payable	<u>(882)</u>	
		<u>(265,882)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>647,632</u>

BALDWIN TOWNSHIP, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Road & Bridge Fund	Fire Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 207,900	\$ 481,037	\$ 95,415	\$ 42,117	\$ 108,036	\$ 934,505
Intergovernmental	10,220	45,347	77,890	89	215	133,761
Charges for Services	4,069	5,770	12,404	-	500	22,743
Fines	-	8,160	-	-	-	8,160
Miscellaneous	77,772	370	2,869	-	25,710	106,721
Investment Income	16	42	11	3	10	82
TOTAL REVENUES	<u>299,977</u>	<u>540,726</u>	<u>188,589</u>	<u>42,209</u>	<u>134,471</u>	<u>1,205,972</u>
EXPENDITURES						
Current:						
General Government	189,072	-	-	-	-	189,072
Public Safety	3,659	-	181,086	-	59,189	243,934
Public Works	6,645	443,955	-	154,861	-	605,461
Culture and Recreation	-	-	-	-	50,914	50,914
Cemetery	-	-	-	-	982	982
Debt Service:						
Principal	-	-	-	-	59,501	59,501
Interest	-	-	-	-	6,890	6,890
TOTAL EXPENDITURES	<u>199,376</u>	<u>443,955</u>	<u>181,086</u>	<u>154,861</u>	<u>177,476</u>	<u>1,156,754</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100,601	96,771	7,503	(112,652)	(43,005)	49,218
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	6,733	25,606	-	-	45,000	77,339
Operating Transfers Out	-	(15,000)	-	(30,000)	(15,000)	(60,000)
Proceeds from Issuance of Debt	-	-	-	155,000	-	155,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,733</u>	<u>10,606</u>	<u>-</u>	<u>125,000</u>	<u>30,000</u>	<u>172,339</u>
NET CHANGE IN FUND BALANCES	107,334	107,377	7,503	12,348	(13,005)	221,557
FUND BALANCES - BEGINNING	<u>156,780</u>	<u>362,864</u>	<u>77,454</u>	<u>40,674</u>	<u>37,209</u>	<u>674,981</u>
FUND BALANCES - ENDING	<u>\$ 264,114</u>	<u>\$ 470,241</u>	<u>\$ 84,957</u>	<u>\$ 53,022</u>	<u>\$ 24,204</u>	<u>\$ 896,538</u>

**BALDWIN TOWNSHIP, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - total governmental funds \$ 221,557

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:

Proceeds from Issuance of Certificates of Indebtedness	\$ (155,000)	
Repayment of Certificate of Indebtedness Principal	<u>48,000</u>	
		(107,000)

Net change in accrued interest on bonds is not reported as expenses in the funds: (1,308)

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:

Unearned Revenue - December 31, 2014	(33,642)	
Unearned Revenue - December 31, 2015	<u>20,465</u>	
		(13,177)

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:

(882)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 99,190

**BALDWIN TOWNSHIP, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2015**

	Sewer Fund
LIABILITIES	
Accounts Payable	\$ 4,567
Due to Other Funds	14,518
TOTAL LIABILITIES	19,085
NET POSITION	
Unrestricted	(19,085)
TOTAL NET POSITION	\$ (19,085)

BALDWIN TOWNSHIP, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2015

	<u>Sewer Fund</u>
OPERATING EXPENSES	
Materials and Supplies	\$ 7
Other Services and Charges	<u>7,739</u>
TOTAL OPERATING EXPENSES AND NET OPERATING LOSS	7,746
NONOPERATING INCOME	
Operating Contribution	<u>6,000</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	(1,746)
TRANSFERS	
Operating Transfers Out	<u>(17,339)</u>
CHANGE IN NET POSITION	(19,085)
NET POSITION-BEGINNING OF YEAR	<u>-</u>
NET POSITION-END OF YEAR	<u>\$ (19,085)</u>

**BALDWIN TOWNSHIP, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Paid to Suppliers	\$ (3,179)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating Receipts	6,000
Net Operating Subsidies and Transfers from Other Funds	(2,821)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,179
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents-Beginning of Year	-
Cash and Cash Equivalents-End of Year	\$ -
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net Operating Loss	\$ (7,746)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Change in Assets and Liabilities:	
Accounts Payable	4,567
NET CASH USED BY OPERATING ACTIVITIES	\$ (3,179)

**BALDWIN TOWNSHIP, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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.

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 describe 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, 2015**

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.

Capital Project Fund

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of capital projects.

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:

Debt Service Fund

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

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.

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, 2015**

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 and liabilities (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 and liabilities 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, 2015

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 from and to other funds." Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type 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 \$882 at December 31, 2015.

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, 2015

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, 2015 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, 2015

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.

Fund Reclassifications

Certain amounts presented in the prior year audited data have been reclassified as to fund presentation to be consistent with fund definitions.

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 31st 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, 2015**

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 1st. 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	\$ 95,000	\$ 181,086	\$ -

The expenditures in excess of budget were primarily due to the Township expenditures for equipment and other projects exceeding anticipated amounts.

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, equity, revenues, and expenditures/expenses.

**BALDWIN TOWNSHIP, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, 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, 2015, the Township does not hold any investments.

**BALDWIN TOWNSHIP, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

3.B. LONG-TERM DEBT

As of December 31, 2015, 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	\$ 90,000
04/13	40,000	\$4,000 - 8,000	2.50%	06/18	20,000
11/15	155,000	\$30,000 - 35,000	2.50%	02/21	155,000
					Total Governmental Activities Debt Payable
					265,000
					Debt Due Within One Year
					53,000
					Debt Due After One Year
					\$ 212,000

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

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Certificates	\$ 158,000	\$ 155,000	\$ (48,000)	\$ 265,000	\$ 53,000
Compensated Absences Payable	-	882	-	882	-
Total	\$ 158,000	\$ 155,882	\$ (48,000)	\$ 265,882	\$ 53,000

Annual Debt Service Requirements

At December 31, 2015, 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
2016	\$ 53,000	\$ 5,842	\$ 58,842
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	\$ 265,000	\$ 16,628	\$ 281,628

**BALDWIN TOWNSHIP, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

3.B. LONG-TERM DEBT (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 \$6,358 for the Statement of Activities. Interest expenditures for long-term debt are \$5,050 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 \$13,341 for the year ended December 31, 2015.

At December 31, 2015, estimated future minimum lease payments for the fire equipment lease are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2016	\$ 23,520	\$ 3,161	\$ 26,681
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>\$ 111,563</u>	<u>\$ 8,505</u>	<u>\$ 120,068</u>

3.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2015:

Major Funds	Transfers Out	Transfers In			Total
		Major Funds		Non-Major Fund	
		General	Road & Bridge	Governmental	
Road and Bridge	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 15,000
Sewer	17,339	6,733	10,606	-	17,339
Capital Project	30,000	-	-	30,000	30,000
	62,339	6,733	10,606	45,000	62,339
Non-Major Funds					
Governmental	15,000	-	15,000	-	15,000
	<u>\$ 77,339</u>	<u>\$ 6,733</u>	<u>\$ 25,606</u>	<u>\$ 45,000</u>	<u>\$ 77,339</u>

**BALDWIN TOWNSHIP, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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			
Due To Fund	Due From Fund	Amount	Reason
General	Debt Service	\$ 6,861	Eliminate negative cash
General	Sewer	14,518	Eliminate negative cash
Total Interfund Balances		21,379	
Governmental fund elimination		(6,861)	
Total government-wide internal balances		<u>\$ 14,518</u>	

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

3.E. FUND EQUITY

At December 31, 2015, 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	\$ 2,553	\$ 5,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,324
Assigned									
Funfest	1,000	-	-	-	-	-	-	-	1,000
Future Development	4,805	-	-	-	-	-	-	-	4,805
Road and Bridge	-	467,688	-	-	-	-	-	-	467,688
Fire	-	-	79,654	-	-	-	-	-	79,654
Fire Equipment	-	-	-	1,362	-	-	-	-	1,362
Cemetery	-	-	-	-	16,022	-	-	-	16,022
Parks and Recreation	-	-	-	-	-	12,020	-	-	12,020
Capital Project	-	-	-	-	-	-	53,022	-	53,022
Unassigned	<u>253,841</u>	-	-	-	-	-	-	(5,200)	<u>248,641</u>
Total	<u>\$ 264,114</u>	<u>\$ 470,241</u>	<u>\$ 84,957</u>	<u>\$ 1,362</u>	<u>\$ 16,022</u>	<u>\$ 12,020</u>	<u>\$ 53,022</u>	<u>\$ (5,200)</u>	<u>\$ 896,538</u>

**BALDWIN TOWNSHIP, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF 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 benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated 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 10 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 GERF 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 GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in 2015. In 2015, Baldwin Township was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.5% for Coordinated Plan members. The Township's contributions to the General Employees Retirement Fund for the years ending December 31, 2015, 2014, and 2013 total \$7,867, \$9,107, and \$7,172, 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, 2015

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. SUBSEQUENT EVENTS

Subsequent to year end and prior to the issuance of these financial statements, the Township purchased a Case loader in the amount of \$44,900.

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. Such information includes:

- Budgetary Comparison Schedule-General Fund
- Budgetary Comparison Schedule-Road and Bridge Fund
- Budgetary Comparison Schedule-Fire Fund

**BALDWIN TOWNSHIP, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
RESOURCES (INFLOWS):			
Property Taxes	\$ 189,400	\$ 207,900	\$ 18,500
Intergovernmental	19,324	10,220	(9,104)
Charges for Services	3,600	4,069	469
Licenses and Permits	150	-	(150)
Miscellaneous	9,592	77,772	68,180
Investment Income	9	16	7
Transfers In	-	6,733	6,733
AMOUNTS AVAILABLE	<u>222,075</u>	<u>306,710</u>	<u>84,635</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
General Government	201,289	189,072	(12,217)
Public Safety	4,550	3,659	(891)
Public Works	5,200	6,645	1,445
TOTAL CHARGES	<u>211,039</u>	<u>199,376</u>	<u>(11,663)</u>
BUDGETARY CHANGE IN FUND BALANCE	<u>\$ 11,036</u>	<u>\$ 107,334</u>	<u>\$ 96,298</u>

**BALDWIN TOWNSHIP, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
RESOURCES (INFLOWS):			
Property Taxes	\$ 487,996	\$ 481,037	\$ (6,959)
Intergovernmental	42,224	45,347	3,123
Charges for Services	1,315	5,770	4,455
Licenses and Permits	400	-	(400)
Fines	10,368	8,160	(2,208)
Miscellaneous	432	370	(62)
Investment Income	22	42	20
Transfers In	-	25,606	25,606
AMOUNTS AVAILABLE	<u>542,757</u>	<u>566,332</u>	<u>23,575</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Public Works	481,000	443,955	(37,045)
Transfers Out	-	15,000	15,000
TOTAL CHARGES	<u>481,000</u>	<u>458,955</u>	<u>(22,045)</u>
BUDGETARY CHANGE IN FUND BALANCE	<u>\$ 61,757</u>	<u>\$ 107,377</u>	<u>\$ 45,620</u>

**BALDWIN TOWNSHIP, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
RESOURCES (INFLOWS):			
Property Taxes	\$ 112,657	\$ 95,415	\$ (17,242)
Intergovernmental	32,044	77,890	45,846
Charges for Services	2,700	12,404	9,704
Miscellaneous	12,121	2,869	(9,252)
Investment Income	<u>5</u>	<u>11</u>	<u>6</u>
AMOUNTS AVAILABLE	<u>159,527</u>	<u>188,589</u>	<u>29,062</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Public Safety	<u>95,000</u>	<u>181,086</u>	<u>86,086</u>
BUDGETARY CHANGE IN FUND BALANCE	<u>\$ 64,527</u>	<u>\$ 7,503</u>	<u>\$ (57,024)</u>

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. Such information includes:

Combining Balance Sheet-Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

**BALDWIN TOWNSHIP, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Debt Service Fund	Cemetery Fund	Parks and Recreation Fund	Fire Equipment Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 16,071	\$ 11,459	\$ 4,592	\$ 32,122
Property Taxes Receivable	3,258	8	1,571	793	5,630
TOTAL ASSETS	\$ 3,258	\$ 16,079	\$ 13,030	\$ 5,385	\$ 37,752
LIABILITIES					
Accounts Payable	\$ -	\$ 50	\$ 490	\$ 3,813	\$ 4,353
Due to Other Funds	6,861	-	-	-	6,861
Total Liabilities	6,861	50	490	3,813	11,214
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	1,597	7	520	210	2,334
FUND BALANCES					
Assigned	-	16,022	12,020	1,362	29,404
Unassigned	(5,200)	-	-	-	(5,200)
Total Fund Balance	(5,200)	16,022	12,020	1,362	24,204
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,258	\$ 16,079	\$ 13,030	\$ 5,385	\$ 37,752

BALDWIN TOWNSHIP, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Debt Service Fund	Cemetery Fund	Parks and Recreation Fund	Fire Equipment Fund	Total
REVENUES					
Property Taxes	\$ 53,520	\$ 6	\$ 34,762	\$ 19,748	\$ 108,036
Intergovernmental	99	-	74	42	215
Charges for Services	-	500	-	-	500
Miscellaneous	-	-	1,610	24,100	25,710
Investment Income	-	7	1	2	10
TOTAL REVENUES	53,619	513	36,447	43,892	134,471
EXPENDITURES					
Current:					
Public Safety	-	-	-	59,189	59,189
Culture and Recreation	-	-	50,914	-	50,914
Cemetery	-	982	-	-	982
Debt Service:					
Principal	48,000	-	-	11,501	59,501
Interest	5,050	-	-	1,840	6,890
TOTAL EXPENDITURES	53,050	982	50,914	72,530	177,476
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	569	(469)	(14,467)	(28,638)	(43,005)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	15,000	30,000	45,000
Transfers Out	-	-	(15,000)	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	30,000	30,000
NET CHANGE IN FUND BALANCES	569	(469)	(14,467)	1,362	(13,005)
FUND BALANCES - BEGINNING	(5,769)	16,491	26,487	-	37,209
FUND BALANCES - ENDING	\$ (5,200)	\$ 16,022	\$ 12,020	\$ 1,362	\$ 24,204

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**

March 17, 2016

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 (the Township) as of and for the year ended December 31, 2015, 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 March 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 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.

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

The 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.
St. Cloud, Minnesota

**BALDWIN TOWNSHIP, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 our 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 our recommendation.

**BALDWIN TOWNSHIP, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 our recommendation.

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

March 17, 2016

Board of Supervisors
Baldwin Township
Sherburne County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2016.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivision*. 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