

**BALDWIN TOWNSHIP  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2014**

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**BALDWIN TOWNSHIP  
TOWNSHIP BOARD AND ADMINISTRATION  
DECEMBER 31, 2014**

<u>Township Board</u>	<u>Position</u>	<u>Term Expires</u>
Jay Swanson	Chairperson	March 2015
Tom Rush	Vice Chairperson	March 2016
Larry Handshoe	Supervisor	March 2015
Randy Atwood	Supervisor	March 2016
Jeff Holm	Supervisor	March 2017
 <u>Administration</u>		
Cathy Stevens	Clerk/Treasurer	Appointed

**INDEPENDENT AUDITOR'S REPORT**

To the Township Board,  
Baldwin Township  
Sherburne County, Minnesota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Baldwin Township, Sherburne County, Minnesota, as of and for the year ended December 31, 2014, 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 entity'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 entity'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.

Management has not recorded capital assets in the governmental activities. Auditing standards generally accepted in the United States of America require that capital assets be recorded as part of the governmental activities. The amount by which this departure would affect the assets, net position and expenditures of the governmental activities is not reasonably determinable and assumed to be material.

## ***Opinions***

In our opinion, except for the effects of not recording capital assets in the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Baldwin Township, Sherburne County, Minnesota, as of December 31, 2014, and the respective changes in financial position, and the respective budgetary comparison for major funds 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 the management discussion and analysis and budgetary comparison information on pages 4–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the Baldwin Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Baldwin Township's internal control over financial reporting and compliance.

*Peterson Company Ltd.*

Waconia, Minnesota

June 5, 2015

**BALDWIN TOWNSHIP  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

As management, we are pleased to submit to you the Comprehensive Annual Financial Report (hereafter referred to as CAFR) of the Baldwin Township for the year ended December 31, 2014. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the Township's financial affairs have been included. It is the responsibility of the management of the Township to prepare the CAFR.

**Financial Highlights**

The Township's net position was \$543,667 as of December 31, 2014.

The governmental activities revenues were \$1,110,603 and the net results from activities were \$103,227. The total cost of all Township programs was \$1,007,376.

The General Fund, the primary operating fund reflected on a current financial resource basis, reports an increase in fund balance of \$17,850.

**Overview of the Financial Statements**

The discussion and analysis is intended to provide an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components. They are: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

**Government-Wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The Statement of Net Position provides information on all the Township's assets and liabilities, with a difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include general government, public safety, public works, parks and recreation and cemetery.

**Reporting on the Township's Significant Funds**

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

**BALDWIN TOWNSHIP  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

**Governmental Funds**

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

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

The Township maintains numerous individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement had been provided for the General Fund to demonstrate compliance with this budget.

**Fiduciary Funds**

Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources belong. We exclude these activities from the government-wide financial statements because the Township cannot use these assets to finance its operations.

**BALDWIN TOWNSHIP  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

**Township as a Whole**

Government-wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets were more than liabilities by \$543,667 at the close of the most recent year.

A condensed version of the Statement of Net Position as of December 31, 2014 follows:

The Township's invested in capital assets net of related debt is a negative \$158,000 as a result of the Township not tracking and recording capital assets. The remaining balance of \$701,667 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report a positive balance in the unrestricted category of net position for the government as a whole.

	Net Position Governmental Activities	
	2013	2014
Current and Other Assets	\$667,213	\$750,901
Current Liabilities	\$146,393	\$97,234
Noncurrent Liabilities	158,000	110,000
Total Liabilities	304,393	207,234
 Net Position		
Investment in Capital Assets Net of Related Debt	(244,421)	(158,000)
Unrestricted	607,241	701,667
Total Net Position	362,820	543,667
 Total Liabilities and Net Position	 \$667,213	 \$750,901



**BALDWIN TOWNSHIP  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

Governmental Activities

Governmental activities increased the Township's net position by \$34,879 in 2013 and increased them by \$180,847 in 2014. A condensed version of the Statement of Activities for the year ended December 31, 2014, is as follows:

	Change in Net Position Governmental Activities	
	2013	2014
Revenues		
Program revenues		
Charges for services	\$31,491	\$60,005
Operating grants and contributions	104,280	99,194
Capital grants and contributions	101,188	-
Property taxes	897,546	924,404
Other general revenues	39,748	9,823
Unrestricted investment earnings	131	54
Total Revenues	1,174,384	1,093,480
Expenses		
General government	380,659	275,868
Public safety	192,726	163,180
Public works	539,429	429,466
Parks and recreation	7,242	35,144
Cemetery	5,207	670
Interest on long-term debt	14,242	8,305
Total Expenses	1,139,505	912,633
Change in Net Position	34,879	180,847
Net Position, January 1	327,941	362,820
Net Position, December 31	\$362,820	\$543,667

**BALDWIN TOWNSHIP  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

**General Fund Budgetary Highlights**

No amendments were made to the original budget adopted by the Township for 2014. Further, the Township only budgets general fund tax levy revenues and related expenditures.

**Debt Outstanding**

As of the year end, the Township had \$158,000 in debt, all of which was backed by the full faith and credit of the Township. The outstanding debt consists of \$158,000 of bond principal payable.

	Outstanding Debt	
	2013	2014
Certificate of Indebtedness	\$206,000	\$158,000
Capital Leases	38,421	-
<b>Total Debt</b>	<b>\$244,421</b>	<b>\$158,000</b>

The Township's total debt decreased by \$86,421 during the current year.

**Economic Factors**

Local governments (cities, counties, school boards and townships) in the State of Minnesota primarily rely on property and a limited array of permitted other taxes and fees for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

The level of taxes, fees and charges for services will have a bearing on the Township's specific competitive ability to encourage growth and development.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township's Clerk, Township of Baldwin, 30239 128<sup>th</sup> Street, P.O. Box 25, Princeton, Minnesota 55371.

**BALDWIN TOWNSHIP  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 669,425
Taxes receivable:	
Current	42,649
Delinquent	23,993
Accounts receivable	3,445
Prepaid Items	11,389
<b>Total Assets</b>	<b>\$ 750,901</b>
 <b>LIABILITIES AND NET POSITION</b>	
<b>Liabilities</b>	
Accounts payable	\$ 21,940
Accrued interest	2,181
Salaries and benefits payable	25,113
Bond Principal Payable:	
Payable within one year	48,000
Payable after one year	110,000
<b>Total Liabilities</b>	<b>207,234</b>
 <b>Net Position</b>	
Investment in capital assets, net of related debt	(158,000)
Unrestricted	701,667
<b>Total Net Position</b>	<b>543,667</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 750,901</b>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 275,868	\$ 33,748	\$ 16,926	-	\$ (225,194)
Public works	429,466	16,052	42,224	-	(371,190)
Public safety	163,180	10,205	40,044	-	(112,931)
Parks and recreation	35,144	-	-	-	(35,144)
Debt service	8,305	-	-	-	(8,305)
Cemetery	670	-	-	-	(670)
<b>Total governmental activities</b>	<b>912,633</b>	<b>60,005</b>	<b>99,194</b>	<b>-</b>	<b>(753,434)</b>
<b>General Revenues</b>					
Property Taxes for General Purpose					924,404
Investment Income					54
Other unrestricted income					9,823
<b>Total General Revenues</b>					<b>934,281</b>
 Change in Net Position					 180,847
Net Position, Beginning of Year					362,820
Net Position, End of Year					<u>\$ 543,667</u>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	General Fund	Road & Bridge	Fire Fund	Cemetery Fund	Capital Project	Debt Service	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 174,047	\$ 351,080	\$ 89,146	\$ 16,489	\$ 38,663	\$ -	\$ 669,425
Taxes receivable:							
Current	10,046	21,696	5,014	2	2,011	3,880	42,649
Delinquent	5,317	12,149	3,181	13	1,146	2,187	23,993
Accounts receivable	2,333	1,112	-	-	-	-	3,445
Prepaid Items	5,772	3,088	2,529	-	-	-	11,389
<b>Total Assets</b>	<u>\$ 197,515</u>	<u>\$ 389,125</u>	<u>\$ 99,870</u>	<u>\$ 16,504</u>	<u>\$ 41,820</u>	<u>\$ 6,067</u>	<u>\$ 750,901</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities</b>							
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,649	\$ 9,649
Accounts payable	5,308	12,281	4,351	-	-	-	21,940
Salaries payable	8,398	1,831	14,884	-	-	-	25,113
Deferred revenue	5,317	12,149	3,181	13	1,146	2,187	23,993
<b>Total Liabilities</b>	<u>19,023</u>	<u>26,261</u>	<u>22,416</u>	<u>13</u>	<u>1,146</u>	<u>11,836</u>	<u>80,695</u>
<b>Fund Balances</b>							
Non-spendable	5,772	3,088	2,529	-	-	-	11,389
Assigned	792	359,776	74,925	16,491	40,674	0	492,658
Unassigned	171,928	-	-	-	-	(5,769)	166,159
<b>Total Fund Balances</b>	<u>178,492</u>	<u>362,864</u>	<u>77,454</u>	<u>16,491</u>	<u>40,674</u>	<u>(5,769)</u>	<u>670,206</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 197,515</u>	<u>\$ 389,125</u>	<u>\$ 99,870</u>	<u>\$ 16,504</u>	<u>\$ 41,820</u>	<u>\$ 6,067</u>	<u>\$ 750,901</u>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
GOVERNMENTAL FUNDS - RECONCILIATION OF FUND BALANCES TO THE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

Total Fund Balances for the Governmental Funds \$ 670,206

Amounts reported for governmental activities in the statement of activities are different because:

Accrued interest not recognized in the current period	(2,181)
Due to other funds not reflected	9,649

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities consist of:

Bond principal payable	(158,000)
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Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds:

Property taxes receivable	<u>23,993</u>
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Total Net Position - Governmental Activities	<u><u>\$ 543,667</u></u>
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See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
DECEMBER 31, 2014**

	General Fund	Special Revenue					Total Governmental Funds
		Road & Bridge	Fire Fund	Cemetery Fund	Capital Projects	Debt Service	
<b>REVENUES</b>							
Property taxes	\$ 215,395	\$ 487,379	\$ 112,497	\$ 16	\$ 46,123	\$ 80,107	\$ 941,517
Intergovernmental	16,013	42,224	32,044	7	3	-	90,291
Charges for services	3,602	5,297	-	-	-	-	8,899
Fines and forfeitures	-	10,755	-	-	-	-	10,755
Miscellaneous:							
Investment income	14	24	6	7	3	-	54
Contributions and donations	913	-	8,000	-	-	-	8,913
Franchise fee	8,382	-	-	-	-	-	8,382
Other	30,146	741	10,205	700	-	-	41,792
<b>Total Revenues</b>	<u>274,465</u>	<u>546,420</u>	<u>162,752</u>	<u>730</u>	<u>46,129</u>	<u>80,107</u>	<u>1,110,603</u>
<b>EXPENDITURES</b>							
Current							
General government	202,753	81,437	-	-	-	-	284,190
Public works	14,013	395,453	-	-	-	-	409,466
Public safety	4,705	-	158,475	-	-	-	163,180
Parks and Recreation	35,144	-	-	-	-	-	35,144
Cemetery	-	-	-	670	-	-	670
Debt service	-	-	-	-	-	-	-
Principal	-	8,000	-	-	-	78,421	86,421
Interest	-	850	-	-	-	7,455	8,305
Capital Outlay	-	-	-	-	-	-	-
Public Works	-	-	-	-	20,000	-	20,000
<b>Total Expenditures</b>	<u>256,615</u>	<u>485,740</u>	<u>158,475</u>	<u>670</u>	<u>20,000</u>	<u>85,876</u>	<u>1,007,376</u>
Excess (Deficiency) of Revenues Over Expenditures	17,850	60,680	4,277	60	26,129	(5,769)	103,227
Excess of Revenues and Other Funding sources	17,850	60,680	4,277	60	26,129	(5,769)	103,227
Fund Balance, January 1	160,642	302,184	73,177	16,431	14,545	-	566,979
Fund Balance, December 31	<u>\$ 178,492</u>	<u>\$ 362,864</u>	<u>\$ 77,454</u>	<u>\$ 16,491</u>	<u>\$ 40,674</u>	<u>\$ (5,769)</u>	<u>\$ 670,206</u>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
GOVERNMENTAL FUNDS - RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2014**

Net Change in Fund Balance - Government Funds \$ 103,227

Amounts reported for government activities in the statement of activities are different because:

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities 86,421

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds 2,181

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

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds (10,982)

Net Change - Statement of Activities \$ 180,847

See accompanying notes to the financial statements



**BALDWIN TOWNSHIP**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**DECEMBER 31, 2014**

**CONTRACTORS' ESCROW ACCOUNTS**

	<u>Balance 1/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2014</u>
Assets				
Cash and Equivalents	\$ 3,935	840	-	\$ 4,775
Liabilities				
Due to Contractors	\$ 3,935	840	-	\$ 4,775

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2014**

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property Taxes	\$ 197,726	\$ 215,395	\$ 17,669
Intergovernmental	10,980	16,013	5,033
Charges for Services	4,500	3,602	(898)
Miscellaneous:			
Investment income	257	14	(243)
Contributions and donations	3,675	913	(2,762)
Franchise fee	7,000	8,382	1,382
Other	4,567	30,146	25,579
<b>Total Revenues</b>	<u>228,705</u>	<u>274,465</u>	<u>45,760</u>
<b>Expenditures</b>			
General government	177,225	202,753	(25,528)
Public works	15,300	14,013	1,287
Public safety	4,115	4,705	(590)
Parks and recreation	25,000	35,144	(10,144)
<b>Total Expenditures</b>	<u>221,640</u>	<u>256,615</u>	<u>(34,975)</u>
<b>Net Change in Fund Balance</b>	7,065	17,850	10,785
<b>Fund Balance, January 1</b>	<u>160,642</u>	<u>160,642</u>	<u>-</u>
<b>Fund Balance, December 31</b>	<u>\$ 167,707</u>	<u>\$ 178,492</u>	<u>\$ 10,785</u>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2014**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ 386,709	\$ 487,379	\$ 100,670
Intergovernmental	40,526	42,224	1,698
Charges for services	830	5,297	4,467
Fines and forfeits	10,450	10,755	305
Investment income	32	24	(8)
Other	-	741	741
<b>Total Revenues</b>	<u>438,547</u>	<u>546,420</u>	<u>107,873</u>
<b>Expenditures</b>			
General government	66,940	81,437	(14,497)
Public works	413,316	395,453	17,863
Debt Service:			
Principal	-	8,000	(8,000)
Interest	-	850	(850)
<b>Total Expenditures</b>	<u>480,256</u>	<u>485,740</u>	<u>(5,484)</u>
<b>Net Change in Fund Balance</b>	(41,709)	60,680	102,389
<b>Fund Balance, January 1</b>	<u>302,184</u>	<u>302,184</u>	-
<b>Fund Balance, December 31</b>	<u>\$ 260,475</u>	<u>\$ 362,864</u>	<u>\$ 102,389</u>

See accompanying notes to the financial statements

BALDWIN TOWNSHIP  
 FIRE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2014

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 112,326	\$ 112,497	\$ 171
Intergovernmental	34,033	32,044	(1,989)
Investment income	10	6	(4)
Contributions and donations	250	8,000	7,750
Other	19,720	10,205	(9,515)
Total Revenues	<u>166,339</u>	<u>162,752</u>	<u>(3,587)</u>
Expenditures			
Public safety	<u>110,000</u>	<u>158,475</u>	<u>(48,475)</u>
Net Change in Fund Balance	56,339	4,277	(52,062)
Fund Balance, January 1	<u>73,177</u>	<u>73,177</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 129,516</u>	<u>\$ 77,454</u>	<u>\$ (52,062)</u>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
CEMETERY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2014**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 7	\$ 16	\$ 9
Intergovernmental	-	7	7
Investment income	6	7	1
Other	1,842	700	(1,142)
Total Revenues	<u>1,855</u>	<u>730</u>	<u>(1,125)</u>
Expenditures			
Cemetery	-	670	(670)
Net Change in Fund Balance	1,855	60	(1,795)
Fund Balance, January 1	<u>16,431</u>	<u>16,431</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 18,286</u>	<u>\$ 16,491</u>	<u>\$ (1,795)</u>

See accompanying notes to the financial statements

BALDWIN TOWNSHIP  
 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL AND CHANGES IN FUND BALANCES  
 YEAR ENDED DECEMBER 31, 2014

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 45,000	\$ 46,123	\$ 1,123
Intergovernmental	-	3	3
Investment income	1	3	2
Total Revenues	<u>45,001</u>	<u>46,129</u>	<u>1,128</u>
Expenditures			
Capital outlay	<u>45,000</u>	<u>20,000</u>	<u>25,000</u>
Net Change in Fund Balance	1	26,129	26,128
Fund Balance, January 1	<u>14,545</u>	<u>14,545</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 14,546</u>	<u>\$ 40,674</u>	<u>\$ 26,128</u>

See accompanying notes to the financial statements

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Baldwin Township, Minnesota, are in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Reporting Entity**

Baldwin Township (the "Township") is located in Princeton, Minnesota, and was incorporated under the provisions of the statutes of the State of Minnesota. The Township has a board form of government. One chairperson and four supervisors are elected by the voters of the Township. The Township Board has appointed a clerk-treasurer.

**Government-wide and Fund Financial Statements**

The government-wide financial statements consist of the statement of net position and the statement of changes in net position and report information on all of the non-fiduciary activities of the Primary Government and its component units. As a general rule, the effect of inter-fund activity, with the exception of those representing balances in the statement of net position, has been eliminated. All internal balances in the statement of net position have been eliminated.

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public improvements, recreation, and general administrative support services. There are no business-type activities.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Township applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of inter-fund activity has been removed from this statement.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Agency funds are presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township, in general, considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due. Debt service payments are recorded when payment is due.

For the governmental fund financial statements, property taxes and interest are susceptible to accrual and are recognized if the accrual criteria are met. Specifically, the current portion of special assessments has been recognized as revenue in the current fiscal period. All other revenues are recorded at the time of receipt.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provision. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Township reports the following major governmental funds:

General Fund – This general fund is the Township's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Township except those required to be accounted for in other specialized funds.

Road and Bridge Special Revenue Fund – This fund is used to account for all resources to be used for the roads and bridges by the Township.

Fire Special Revenue Fund – This Fund is used to account for proceeds of specific revenue sources legally restricted to expenditures for public safety purposes.

Cemetery Special Revenue Fund – This fund is used to account for proceeds of specific revenue sources legally restricted to expenditures for the Township cemetery.

Capital Projects Fund – This fund is used for financial resources to be used for the acquisition of capital assets, or the construction or improvement of major capital facilities.

Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, principal, interest and related costs of the debt issuance.

Fiduciary Funds:

Agency Fund – This fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for escrow accounts the Township holds for others in an agent capacity.



**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Data**

In May 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 public is invited to the meeting where the proposed budget is reviewed.

The Township board makes changes as necessary. The budget is legally enacted through passage of resolution. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles.

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, so long as the total fund budget is not changed.

Annual appropriated budgets are adopted during the year for the General Fund, Special Revenue Funds and Capital Projects Fund. Annual appropriated budgets are not adopted for the Debt Service Fund because effective budgetary control is alternatively achieved through bond indenture provision. Budgeted amounts are as originally adopted or as amended by the Township Board. Budgeted expenditure appropriations lapse at year-end.

**Property Taxes**

The Township levies its property tax for the subsequent year during the month of December. December 28<sup>th</sup> is the last day the Township can certify a tax levy to the county auditor for collection of the following year. The property tax is recorded as revenue when it is received. The tax levy notice is mailed in March with the first half of the payment due on May 15<sup>th</sup> and the second half due on October 15<sup>th</sup>.

The County auditor prepares the tax list for all taxable property in the Township, applying 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 submits a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

**Prepaid Items**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types recognize bond proceeds as other financing sources and reports bond cost and repayments as debt service expenditures.

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based on the extent to which the Township is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

**Non-spendable** - These are amounts that are not in spendable form, i.e., inventory, prepaid items or those that are legally or contractually required to remain intact.

**Restricted** - These are amounts that are restricted to specific purposes by request or by law.

**Committed** - These are amounts that can only be spent for specific purposes as imposed by formal action of the Township Board. The constraints remain unless removed by the Board.

**Assigned** - These are amounts that are constrained by the Township's intent, but are neither non-spendable, restricted nor committed.

**Unassigned** - These are residual amounts in the General Fund only and not reported in any other classification. Other funds would report a negative fund balance under this classification.

**Minimum Fund Balance Policy**

The Township's target General Fund unassigned fund balance is to achieve and maintain an unassigned balance equal to 20% of expenditures.

**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 certain reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**DEFINED BENEFIT PENSION PLANS — STATEWIDE**

**Plan Description**

All full-time and certain part-time employees, of the 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) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established 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. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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 three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years to allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for GERF'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 2.20% of average salary for each of the first 10 years of service and 2.70% for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.20% of average salary for each of the first 10 years and 1.70% for each remaining year. Under Method 2, the annuity accrual rate is 2.70% of average salary for Basic Plan members and 1.70% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.00% for each year of service. For all PEPFF members and for GERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. 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 normal 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. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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 are required to contribute 9.10% and 6.25% respectively, of their annual covered salary. PEPFF members are required to contribute 9.40% of their annual covered salary. The Baldwin Township is required to contribute the following percentages of annual covered payroll: 9.10% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, and 15.30% for PEPFF members. The Township's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$9,107, \$7,172 and \$6,844 respectively. The Township's contributions were equal to the contractually required contributions for each year as set by state statutes.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained by writing to PERA, 60 Empire Dr. #200, St. Paul, Minnesota, 55103 or by calling (651) 296-7460 or 1-800-652-9026.

**COMPONENTS OF LONG-TERM LIABILITIES**

Components of long-term liabilities as of December 31, 2014

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
G.O. Certificates of Indebtedness, Series 2009A	12/29/2009	4.00%	\$ 285,000	2/17/2017	\$ 130,000	\$ 40,000
G.O. Certificates of Indebtedness, Series 2013A	4/26/2013	2.50%	\$ 40,000	6/18/2018	28,000	8,000
Total Long-Term Liabilities					<u>\$ 158,000</u>	<u>\$ 48,000</u>

**LONG TERM OBLIGATIONS**

Debt service requirements on the long-term debt at December 31, 2014 is as follows:

<u>Year Ending December 31</u>	<u>G.O. Series 2009A</u>		<u>G.O. Series 2013A</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 40,000	\$ 4,400	\$ 8,000	\$ 650
2016	45,000	2,700	8,000	451
2017	45,000	900	8,000	250
2018	-	-	4,000	50
Total	<u>\$ 130,000</u>	<u>\$ 8,000</u>	<u>\$ 28,000</u>	<u>\$ 1,401</u>

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**CASH AND EQUIVALENTS**

The Township's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* require all deposits made by townships with financial institutions be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

*Minnesota Statutes* authorizes the Township to invest in obligations of the U.S. Treasury; agencies and instrumentalities; shares of investment companies whose only investments are in the aforementioned securities; obligations of the State of Minnesota or its municipalities; bankers' acceptances; future contracts; repurchase and reverse repurchase agreements; commercial paper of the highest quality (with a maturity of no longer than 270 days); and in the Minnesota Municipal Investment Pool.

The Township has formal policies in place as of December 31, 2014 to address the risks as indicated below.

**Custodial Credit Risk** – in the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's investment policy requires deposits to be collateralized in accordance with the state statutes.

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township limits investments to those allowed by the state statutes.

**Interest Rate Risk** – This is the risk the market values of securities in a portfolio would decrease due to changes in market interest rates. The Township policy states they will minimize this risk by keeping the portfolio sufficiently liquid to meet all operating requirements which may be reasonably anticipated.

**Custodial Credit Risk Investments** – For an investment, this is the risk that in the event of failure of the counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party. The Township's policy states they will require third party safe keeping.

**FUND BALANCE/NET POSITION**

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Non-spendable							
Prepaid items	\$ 5,772	\$ 3,088	\$ 2,529	-	-	-	\$ 11,389
Assigned							
Funfest fund	792	-	-	-	-	-	792
Road and bridge	-	359,776	-	-	-	-	359,776
Fire operations	-	-	74,925	-	-	-	74,925
Cemetery operations	-	-	-	16,491	-	-	16,491
Capital reserve	-	-	-	-	40,674	-	40,674
Unrestricted	171,928	-	-	-	-	(5,769)	166,159
Total	<u>\$ 178,492</u>	<u>\$ 362,864</u>	<u>\$ 77,454</u>	<u>\$ 16,491</u>	<u>\$ 40,674</u>	<u>(\$ 5,769)</u>	<u>\$ 670,206</u>

**BALDWIN TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. In order to protect against these risks of loss, the Township purchases commercial insurance. During the year ended December 31, 2014, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Township's commercial coverage in any of the past three years.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Expenditures exceeded appropriations in the following funds for the year ended December 31, 2014.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 221,640	\$ 256,615	\$ 34,975
Road and Bridge Special Revenue Fund	480,256	485,740	5,484
Fire Special Revenue Fund	110,000	158,475	48,475

**SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through June 5, 2015, the date which the financial statements were available to be issued.

**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**

To the Township Board,  
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 and each major fund of the Baldwin Township, Minnesota, as of and for the year ended December 31, 2014, 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 5, 2015.

**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 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 Baldwin Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Baldwin Township's internal control over financial reporting

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Baldwin 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*

## Minnesota Legal Compliance

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

### 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Peterson Company, Ltd.*

Waconia, Minnesota

June 5, 2015