

**CITY OF BALDWIN
BALDWIN, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

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**CITY OF BALDWIN, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
For The Year Ended December 31, 2025**

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jay Swanson	Mayor	December 31, 2026
Jeff Holm	Council Member	December 31, 2026
Scott Case	Council Member	December 31, 2028
Tom Rush	Council Member	December 31, 2026
Alan Walker	Council Member	December 31, 2028

APPOINTED

<u>Name</u>	<u>Title</u>
Joan Heinen	Clerk/Treasurer
Zachary Good	Public Works Supervisor
Scott Case	Fire Chief
Sam Jochum	City Engineer
Robert Ruppe	City Attorney

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Member of the City Council
Baldwin, Minnesota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Baldwin, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion on Governmental Activities, Business-type Activities, and the Sewer fund

In our opinion, except for the effects of the matter described in the "*Basis for Qualified and Unmodified Opinions*" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the Sewer fund of the City, as of December 31, 2025, and the respective 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 on Each Major Fund, and the Aggregate Remaining Fund Information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General fund and Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to the Qualified Opinion on Governmental Activities, Business-type Activities, and the Sewer fund

Management has not adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* for purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense and Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for recording capital assets. The effect on the governmental activities, business-type activities, and the Sewer fund for not implementing GASB Statement No. 68 and 34, although not reasonably determinable, is presumed to be material.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Management has omitted 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

The City's 2024 financial statements were audited by another auditor, who expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, in their report dated July 18, 2025. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carlson SV LLP

Mankato, Minnesota
August 24, 2026

BASIC FINANCIAL STATEMENTS

CITY OF BALDWIN, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 1,913,574	\$ 91,598	\$ 2,005,172
Receivables:			
Interest	27,689	-	27,689
Property taxes	73,071	-	73,071
Accounts, net	11,522	14,523	26,045
Lease	78,346	-	78,346
Special assessments	-	24,376	24,376
Due from other governments	22,856	-	22,856
Internal balances	120,000	(120,000)	-
Inventory	1,626	-	1,626
Prepaid items	50,197	474	50,671
Total Assets	<u>2,298,881</u>	<u>10,971</u>	<u>2,309,852</u>
Liabilities			
Accounts payable	395,410	711	396,121
Accrued expenses	85,375	1,088	86,463
Unearned Revenue	-	3,848	3,848
Noncurrent Liabilities:			
Due within one year	265,714	50,911	316,625
Due in more than one year	475,897	36,876	512,773
Total Liabilities	<u>1,222,396</u>	<u>93,434</u>	<u>1,315,830</u>
Deferred Inflows of Resources			
Lease deferments	<u>78,362</u>	<u>-</u>	<u>78,362</u>
Net Position			
Restricted	513,151	-	513,151
Unrestricted	<u>484,972</u>	<u>(82,463)</u>	<u>402,509</u>
TOTAL NET POSITION	<u>\$ 998,123</u>	<u>\$ (82,463)</u>	<u>\$ 915,660</u>

CITY OF BALDWIN, MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
GOVERNMENTAL ACTIVITIES							
General government	\$ 769,662	\$ 413,383	\$ -	\$ -	\$ (356,279)	\$ -	\$ (356,279)
Public safety	702,116	66,313	19,964	-	(615,839)	-	(615,839)
Public works	1,242,175	-	-	-	(1,242,175)	-	(1,242,175)
Parks and recreation	116,382	2,150	-	-	(114,232)	-	(114,232)
Cemetery	12,217	5,100	-	-	(7,117)	-	(7,117)
Interest and fees on long-term debt	43,059	-	-	-	(43,059)	-	(43,059)
Total Governmental Activities	2,885,611	486,946	19,964	-	(2,378,701)	-	(2,378,701)
BUSINESS-TYPE ACTIVITIES							
Sewer	59,987	76,290	-	-	-	16,303	16,303
Total	\$ 2,945,598	\$ 563,236	\$ 19,964	\$ -	(2,378,701)	16,303	(2,362,398)
General Revenues							
Taxes							
Property taxes, levied for general purposes					516,735	-	516,735
Property taxes, levied for specific purposes					1,237,650	-	1,237,650
Grants and contributions not restricted to specific programs					373,339	-	373,339
Unrestricted investment earnings					67,813	1,300	69,113
Other revenues					60,937	-	60,937
Transfers					29	(29)	-
Total General Revenues					2,256,503	1,271	2,257,774
Change in Net Position					(122,198)	17,574	(104,624)
Net Position - Beginning					1,120,321	(100,037)	1,020,284
NET POSITION - ENDING					\$ 998,123	\$ (82,463)	\$ 915,660

The notes to the financial statements are an integral part of this statement.

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CITY OF BALDWIN, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	General	Debt Service	City Capital Reserve	Fire Capital Reserve
Assets				
Cash and investments	\$ -	\$ 515,898	\$ 169,844	\$ 256,494
Receivables:				
Interest	27,689	-	-	-
Property taxes	73,071	-	-	-
Accounts	11,522	-	-	-
Lease	78,346	-	-	-
Due from other funds	-	-	-	-
Due from other governments	22,856	-	-	-
Inventory	1,092	-	-	-
Prepaid items	22,350	-	-	-
Advances to other funds	-	-	120,000	-
TOTAL ASSETS	<u>\$ 236,926</u>	<u>\$ 515,898</u>	<u>\$ 289,844</u>	<u>\$ 256,494</u>
Liabilities				
Accounts payable	\$ 224,828	\$ -	\$ -	\$ -
Accrued expenses	74,084	-	-	-
Due to other funds	121,851	-	-	-
Total Liabilities	<u>420,763</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue	26,279	-	-	-
Lease deferments	78,362	-	-	-
Total Deferred Inflows of Resources	<u>104,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	23,442	-	-	-
Restricted	-	515,898	-	-
Committed	-	-	289,844	256,494
Unassigned	(311,920)	-	-	-
Total Fund Balances	<u>• (288,478)</u>	<u>515,898</u>	<u>289,844</u>	<u>256,494</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 236,926</u>	<u>\$ 515,898</u>	<u>\$ 289,844</u>	<u>\$ 256,494</u>

Street Capital Reserve	Other Governmental Funds	Total Governmental Funds
\$ 945,186	\$ 26,152	\$ 1,913,574
-	-	27,689
-	-	73,071
-	-	11,522
-	-	78,346
121,851	-	121,851
-	-	22,856
534	-	1,626
27,435	412	50,197
-	-	120,000
<u>\$ 1,095,006</u>	<u>\$ 26,564</u>	<u>\$ 2,420,732</u>
\$ 21,848	\$ -	\$ 246,676
148,730	100	222,914
-	-	121,851
<u>170,578</u>	<u>100</u>	<u>591,441</u>
-	-	26,279
-	-	78,362
-	-	104,641
27,969	412	51,823
-	8,447	524,345
896,459	17,605	1,460,402
-	-	(311,920)
<u>924,428</u>	<u>26,464</u>	<u>1,724,650</u>
<u>\$ 1,095,006</u>	<u>\$ 26,564</u>	<u>\$ 2,420,732</u>

CITY OF BALDWIN, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2025

Total Fund Balances - Governmental Funds	\$	1,724,650
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Long-term liabilities, including compensated absences, are not due and payable from current financial resources and, therefore, are not reported as liabilities in the governmental funds.

Bonds and notes payable	(724,050)
Compensated absences	(17,561)

Long-term receivables are reported as deferred inflows of resources in the governmental funds because they are not available to pay for current period expenditures. In the Statement of Net Position, the receivables are recognized and the deferred inflows are eliminated.

Delinquent property taxes	26,279
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Accrued interest payable is not due and payable from current financial resources and, therefore, is not reported as a liability in the governmental funds.

(11,191)

Total Net Position - Governmental Activities

\$	998,123
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CITY OF BALDWIN, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended December 31, 2025

	General	Debt Service	City Capital Reserve	Fire Capital Reserve
Revenues				
Taxes	\$ 840,048	\$ 122,650	\$ -	\$ 100,000
Licenses and permits	164,040	-	-	-
Intergovernmental	366,802	-	-	10,000
Charges for services	269,165	-	-	-
Fines and forfeitures	6,771	-	-	-
Other revenues	49,197	19,715	9,449	8,711
Total Revenues	<u>1,696,023</u>	<u>142,365</u>	<u>9,449</u>	<u>118,711</u>
Expenditures				
Current				
General government	718,682	-	-	-
Public safety	603,282	-	-	-
Public works	606,827	-	-	-
Culture and recreation	53,261	-	-	-
Cemetery	-	-	-	-
Capital Outlay				
General government	44,255	-	-	-
Public safety	63,040	-	-	22,819
Public works	15,965	-	-	-
Culture and recreation	63,121	-	-	-
Debt Service				
Principal	-	189,089	-	-
Interest and fees	-	38,251	-	-
Total Expenditures	<u>2,168,433</u>	<u>227,340</u>	<u>-</u>	<u>22,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(472,410)	(84,975)	9,449	95,892
Other Financing Sources (Uses)				
Transfers in	120,720	41,730	9,327	19,050
Transfers out	(339,204)	-	-	(60,000)
Total Other Financing Sources (Uses)	<u>(218,484)</u>	<u>41,730</u>	<u>9,327</u>	<u>(40,950)</u>
Net Change in Fund Balances	<u>(690,894)</u>	<u>(43,245)</u>	<u>18,776</u>	<u>54,942</u>
Fund Balances - Beginning	63,348	559,143	244,071	-
Change Within Financial Reporting Entity	<u>339,068</u>	<u>-</u>	<u>26,997</u>	<u>201,552</u>
Fund Balances - Beginning, Restated	<u>402,416</u>	<u>559,143</u>	<u>271,068</u>	<u>201,552</u>
FUND BALANCES - ENDING	<u>\$ (288,478)</u>	<u>\$ 515,898</u>	<u>\$ 289,844</u>	<u>\$ 256,494</u>

The notes to the financial statements are an integral part of this statement.

Street Capital Reserve	Formerly Major Funds	Other Governmental Funds	Total Governmental Funds
\$ 700,000	\$ -	\$ -	\$ 1,762,698
-	-	-	164,040
11,537	-	-	388,339
-	-	60,100	329,265
-	-	-	6,771
14,187	-	2,451	103,710
725,724	-	62,551	2,754,823
-	-	-	718,682
-	-	1,148	604,430
462,999	-	-	1,069,826
-	-	-	53,261
-	-	12,217	12,217
-	-	-	44,255
-	-	11,827	97,686
154,291	-	-	170,256
-	-	-	63,121
-	-	-	189,089
-	-	-	38,251
617,290	-	25,192	3,061,074
108,434	-	37,359	(306,251)
266,157	-	2,940	459,924
-	-	(60,691)	(459,895)
266,157	-	(57,751)	29
374,591	-	(20,392)	(306,222)
-	803,490	360,820	2,030,872
549,837	(803,490)	(313,964)	-
549,837	-	46,856	2,030,872
\$ 924,428	\$ -	\$ 26,464	\$ 1,724,650

The notes to the financial statements are an integral part of this statement.

CITY OF BALDWIN, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

Total Net Change in Fund Balances - Governmental Funds	\$ (306,222)
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

The issuance of long-term debt provides current financial resources to governmental funds, and bond premiums and deferred refunding losses are reported as other financing sources and uses. Repayment of bond principal is reported as an expenditure. In the Statement of Activities, these amounts are reported as changes in long-term liabilities.

Principal payments	189,089
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Interest on long-term debt reported in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due.

	(4,808)
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Certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.

Delinquent property taxes	8,565
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	<u>(8,818)</u>
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Change in Net Position - Governmental Activities	<u>\$ (122,198)</u>
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CITY OF BALDWIN, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,526,100	\$ 1,526,100	\$ 840,048	\$ (686,052)
Licenses and permits	-	-	164,040	164,040
Intergovernmental	185,174	185,174	366,802	181,628
Charges for services	61,775	61,775	269,165	207,390
Fines and forfeitures	-	-	6,771	6,771
Special assessments	600	600	-	(600)
Other revenues	8,483	8,483	49,197	40,714
Total Revenues	<u>1,782,132</u>	<u>1,782,132</u>	<u>1,696,023</u>	<u>(86,109)</u>
Expenditures				
Current				
General government	411,091	411,091	718,682	307,591
Public safety	274,431	274,431	603,282	328,851
Public works	351,419	351,419	606,827	255,408
Culture and recreation	41,879	41,879	53,261	11,382
Capital Outlay				
General government	-	-	44,255	44,255
Public safety	-	-	63,040	63,040
Public works	8,112	8,112	15,965	7,853
Culture and recreation	23,032	23,032	63,121	40,089
Debt Service				
Interest and fees	149,920	149,920	-	(149,920)
Total Expenditures	<u>1,259,885</u>	<u>1,259,885</u>	<u>2,168,433</u>	<u>908,548</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	522,247	522,247	(472,410)	(994,657)
Other Financing Sources (Uses)				
Transfers In	-	-	120,720	120,720
Transfers Out	-	-	(339,204)	(339,204)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(218,484)</u>	<u>(218,484)</u>
Net Change in Fund Balances	<u>\$ 522,247</u>	<u>\$ 522,247</u>	<u>(690,894)</u>	<u>\$ (1,213,141)</u>
Fund Balances - Beginning			63,348	
Change Within Financial Reporting Entity			339,068	
Fund Balances - Beginning, Restated			402,416	
FUND BALANCES - ENDING			<u>\$ (288,478)</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF BALDWIN, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2025

	Business-type Activities - Enterprise Funds Sewer
Assets	
Current Assets	
Cash and investments	\$ 91,598
Receivables:	
Accounts, net	14,523
Special assessments	24,376
Prepaid items	474
Total Current Assets	<u>130,971</u>
Liabilities	
Current Liabilities	
Accounts payable	711
Accrued expenses	1,088
Unearned Revenue	3,848
Long-term debt	50,911
Total Current Liabilities	<u>56,558</u>
Noncurrent Liabilities	
Advances from other funds	120,000
Long-term debt	36,876
Total Noncurrent Liabilities	<u>156,876</u>
Total Liabilities	<u>213,434</u>
Net Position	
Unrestricted	<u>(82,463)</u>
TOTAL NET POSITION	<u>\$ (82,463)</u>

CITY OF BALDWIN, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds Sewer
Operating Revenues	
Charges for services	\$ 68,447
Operating Expenses	
Salaries	4,984
Employee benefits	740
Supplies	8,121
Services	31,663
Insurance	1,308
Utilities	4,747
Repairs and maintenance	48
Other expenses	2,010
Total Operating Expenses	53,621
Operating Income (Loss)	14,826
Nonoperating Revenues (Expenses)	
Investment earnings	1,300
Special assessments	7,843
Interest and fiscal expenses	(6,366)
Total Nonoperating Revenues (Expenses)	2,777
Income (Loss) Before Transfers and Other Items	17,603
Transfers out	(29)
Change in Net Position	17,574
Net Position - Beginning	(100,037)
NET POSITION - ENDING	\$ (82,463)

CITY OF BALDWIN, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds Sewer
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 71,452
Payments to supplies	(49,747)
Payments to and on behalf of employees	(5,724)
Net Cash from Operating Activities	15,981
Cash Flows from Noncapital Financing Activities	
Transfers out	(29)
Cash Flows from Capital and Related Financing Activities	
Interest paid on debt	(6,997)
Principal paid on debt	(50,911)
Special assessments collections	32,217
Net Cash from Capital and Related Financing Activities	(25,690)
Cash Flows from Investing Activities	
Interest and dividends received	1,300
Net Change in Cash and investments	(8,438)
Cash and investments - Beginning	100,036
CASH AND INVESTMENTS - ENDING	\$ 91,598
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities	
Income (Loss) from Operations	\$ 14,826
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(172)
Prepaid items	(25)
Increase (decrease) in liabilities:	
Accounts payable	(1,825)
Unearned revenue	3,178
Net Cash from Operating Activities	\$ 15,981

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Baldwin, Minnesota (the City), operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all the potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Blended component units, although legally separate entities, are in substance part of the City's operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Based on the foregoing criteria as of December 31, the City had no blended or discretely presented component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than as program revenues.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. All other revenue items are measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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 and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all the financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *City Capital Reserve fund* accounts for resources accumulated for acquisition or improvement of capital assets.

The *Fire Capital Reserve fund* accounts for resources accumulated for acquisition or improvement of fire department equipment.

The City reports the following major proprietary funds:

The *Sewer fund* accounts for the costs associated with the City's sewer utility system and ensures that user charges are sufficient to meet those costs.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and temporary investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds based on applicable cash balance participation by each fund.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

7. Repurchase or reverse repurchase 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.
8. Guaranteed Investment Contracts (GIC’s) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The City has not adopted a formal investment policy.

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June, and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable includes the past six years’ uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2025. The City annually certifies delinquent sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessment receivables are offset by a deferred inflow of resources in the fund financial statements.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

Compensated absences

The City provides paid leave benefits to employees, including vacation, sick leave, and other compensated absences, in accordance with its personnel policies. Employees earn leave based on the number of months worked during the year. Upon termination, employees are entitled to receive compensation for unused leave balances based on the City’s policy. Employees accrue leave based on the years of service per the City’s policy, with a maximum accrual limit of 15 days. The liability for compensated absences is recognized when earned and measured using an expected payout approach, considering historical usage patterns and projected future payments.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

Lease receivables

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

Lease liabilities

The City determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

The City has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position. Significant lease terms are disclosed in note 3.

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- b. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

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

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk/Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City has formally adopted a fund balance policy for the General fund.

The City's policy is to maintain a minimum unassigned fund balance of 20-25 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Clerk/Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings, and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function, and department. The City's department heads, with the approval of the City Clerk/Treasurer, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were no budget amendments during the year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2025, the General Fund had expenditures over appropriations of \$1,525,837. Excess expenditures over appropriations were funded with additional revenues and available fund balance.

C. Deficit Fund Equity

The following had fund equity deficits at year end:

Fund	Amount
Proprietary	
Major	
Sewer	\$ 82,463

The fund deficits are planned to be eliminated with future rate increases.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City 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.

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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully 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. The selection should be approved by the government entity.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS – (Continued)

On December 31, 2025, the carrying amount of the City's deposits was \$2,005,172 and the bank balance was \$2,024,584. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City's agent in the City's name.

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

Deposits

Carrying amount of demand deposits	\$ 910,843
Certificates of deposit	<u>1,094,329</u>
Total cash and investments as shown on the Statement of Net Position	<u>\$ 2,005,172</u>

B. Receivables

Taxes receivable as of the year end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 26,279	\$ -

The only receivables not expected to be collectible within one year are the following: General Fund: \$20,000 of delinquent taxes.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS – (Continued)

C. Interfund receivables, payables, and transfers

Interfund transfers

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

Transferred From	Transferred To	Amount
General	Fire Capital Reserve	\$ 19,050
General	City Capital Reserve	9,327
General	Street Capital Reserve	266,157
General	Debt Service	41,730
General	Nonmajor	2,940
Fire Capital Reserve	General	120,691
Sewer	General	29
Total		<u>\$ 459,924</u>

Transfers from the General Fund to the Fire Capital Reserve Fund, City Capital Reserve Fund, Debt Service Fund, and Nonmajor Funds were made to provide funding for budgeted capital expenditures and other purposes authorized by the City Council. Transfers from the Fire Capital Reserve Fund and Sewer Fund to the General Fund were made to reimburse the General Fund for costs initially paid on behalf of those funds.

Internal Balances

Receivable Fund	Payable Fund	Amount
City Capital Reserve	Sewer	\$ 120,000
Street Capital Reserve	General	121,851
Total		<u>\$ 241,851</u>

The City Capital Reserve Fund provided a \$120,000 interfund loan to the Sewer Fund to support Sewer Fund operations and capital needs. The note bears interest at 3.00 percent and matures on December 31, 2032. Interest-only payments are required through December 2027, with principal payments beginning in 2028. The interfund loan between the General Fund and Street Capital Reserve was made to remove deficit cash balances at year-end and will be repaid in the subsequent year.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS – (Continued)

D. Lease Receivables

The City, acting as lessor, leases certain real property under a long-term, noncancelable lease agreement. The lease contains discount rates of 4.00% and expires on November 30, 2030 and provides for a renewal option of one five-year period. During the year ended December 31, 2025, the City recognized \$15,836 and \$291 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2026	\$ 13,727	\$ 2,884
2027	14,794	2,316
2028	15,919	1,703
2029	17,106	1,045
2030	16,800	338
Total lease payments	<u>\$ 78,346</u>	<u>\$ 8,286</u>

E. Long-term debt

Certificates of Participation

The City issues certificates of participation to finance the acquisition and construction of major capital assets. These certificates are direct obligations of the City, backed by its full faith and credit, and partly financed by ad valorem tax levies or net revenues of the Sewer Fund.

Certificates of participation outstanding at year-end are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Certificates of participation 2017A	\$ 2,235,000	3.00%	8/21/17	2/1/27	\$ 413,837
G.O. Certificates of participation 2024A	398,000	4.35%	2/8/24	2/1/30	398,000
Total general obligation certificates of participation					<u>\$ 811,837</u>

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS – (Continued)

Annual debt service requirements to maturity for general obligation certifications of participation are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2026	\$ 262,089	\$ 22,670	\$ 284,759
2027	212,961	14,539	227,500
2028	79,000	9,113	88,113
2029	83,000	5,590	88,590
2030	87,000	1,892	88,892
Total	<u>\$ 724,050</u>	<u>\$ 53,804</u>	<u>\$ 777,854</u>

Year Ending December 31	Business-type Activities		
	Principal	Interest	Total
2026	\$ 50,911	\$ -	\$ 50,911
2027	36,876	-	36,876
Total	<u>\$ 87,787</u>	<u>\$ -</u>	<u>\$ 87,787</u>

Changes in long-term liabilities

During the year ended December 31, 2025, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
G.O. bonds/certificates	\$ 913,139	\$ -	\$ (189,089)	\$ 724,050	\$ 262,089
Compensated absences	8,743	8,818 *	-	17,561	3,625
Governmental activity long-term liabilities	<u>\$ 921,882</u>	<u>\$ 8,818</u>	<u>\$ (189,089)</u>	<u>\$ 741,611</u>	<u>\$ 265,714</u>
 Business-type activities					
G.O. revenue bonds/notes	\$ 138,698	\$ -	\$ (50,911)	\$ 87,787	\$ 50,911

* The change in the compensated absences liability is presented as a net change.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 – DETAILED NOTES ON ALL FUNDS – (Continued)

E. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the Governmental Funds Balance Sheet on December 31, 2025, include the following:

	General	Debt Service	City Capital Reserve	Fire Capital Reserve	Street Capital Reserve	Other Governmental Funds	Total Fund Balance
Nonspendable							
Prepaid expenses	\$ 23,442	\$ -	\$ -	\$ -	\$ 27,969	\$ 412	\$ 51,823
Restricted							
Cemetery	-	-	-	-	-	8,447	8,447
Debt service	-	515,898	-	-	-	-	515,898
Total restricted	-	515,898	-	-	-	8,447	524,345
Committed							
Fire equipment reserve	-	-	-	256,494	-	-	256,494
Fire contract reserve	-	-	-	-	-	17,605	17,605
Capital improvement	-	-	289,844	-	896,459	-	1,186,303
Total assigned	-	-	289,844	256,494	896,459	17,605	1,460,402
Unassigned							
General fund	(311,920)	-	-	-	-	-	(311,920)
Total fund balance	\$ (288,478)	\$ 515,898	\$ 289,844	\$ 256,494	\$ 924,428	\$ 26,464	\$ 1,724,650

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 4 – DEFINED BENEFIT PENSION PLANS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/ dispatcher, or as a supervisor of correctional guards, officers, or joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years up to 100 percent after 10 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989, or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 4 – DEFINED BENEFIT PENSION PLAN – (Continued)

Normal retirement age is 55 for Police and Fire and Correctional plan members and 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 with an actuarial reduction in the member's benefit.

A full unreduced pension is earned when Police and Fire and Correctional plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

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 before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at www.mnpera.org.

B. Funding policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. In 2025, General Plan members were required to contribute 6.5 percent of their annual covered salary of their annual covered salary.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. In 2025, the City was required to contribute the following percentages of annual covered payroll: 7.5 percent for General Plan members.

The City's contributions to the General Employees Fund for the years ending December 31, 2025, 2024 and 2023 were \$20,139, \$19,502, and \$16,489, respectively.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 5 – PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN – (Continued)

Four board members of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees' contributions must be a fixed percentage of salary.

Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually. Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$1,179	\$1,179	5%	5%	5%

NOTE 6 – OTHER INFORMATION

A. Risk management

The City 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any claims incurred but not reported.

CITY OF BALDWIN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 6 – OTHER INFORMATION

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City has \$811,837 of general obligation debt outstanding subject to this limit.

C. Use of Estimates

The preparation of financial statement 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 the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from Local Government Aid (LGA). The amount received in 2025 was \$143,697 for LGA. This accounted for 8 percent of General fund revenues.

NOTE 7 – CHANGE TO OR WITHIN THE FINANCIAL REPORTING ENTITY

During 2025, the City reevaluated its fund classifications in accordance with the criteria for major fund reporting. Certain funds were reclassified between major and nonmajor governmental funds based on changes in financial activity and reporting significance. The effect of these reclassifications on beginning fund balances is presented below.

	12/31/2024 As Previously Stated	Change to or within the financial reporting entity	12/31/2024 As restated
Governmental funds			
General	\$ 63,349	\$ 888,905	\$ 952,254
Fire Department	84,429	(84,429)	-
Road and Bridge	549,837	(549,837)	-
Building Permits	169,224	(169,224)	-
Debt Service	559,143	-	559,143
City Capital Reserve	244,071	26,997	271,068
Fire Capital Reserve	-	201,552	201,552
Nonmajor	360,820	(313,964)	46,856
Total governmental funds	<u>\$ 2,030,873</u>	<u>\$ -</u>	<u>\$ 2,030,873</u>

SUPPLEMENTARY INFORMATION SECTION

CITY OF BALDWIN, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2025

	Cemetery	Blue Hill Service Reserve	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 8,547	\$ 17,605	\$ 26,152
Prepaid items	412	-	412
TOTAL ASSETS	<u>\$ 8,959</u>	<u>\$ 17,605</u>	<u>\$ 26,564</u>
Liabilities			
Accrued expenses	\$ 100	\$ -	\$ 100
Fund Balances			
Nonspendable	412	-	412
Restricted	8,447	-	8,447
Committed	-	17,605	17,605
Total Fund Balances	<u>\$ 8,859</u>	<u>\$ 17,605</u>	<u>\$ 26,464</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,959</u>	<u>\$ 17,605</u>	<u>\$ 26,564</u>

CITY OF BALDWIN, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2025

	Cemetery	Blue Hill Service Reserve	Formerly Nonmajor Funds	Total Nonmajor Governmental Funds
Revenues				
Charges for services	\$ 5,100	\$ 55,000	\$ -	\$ 60,100
Other revenues	584	1,867	-	2,451
Total Revenues	5,684	56,867	-	62,551
Expenditures				
Current				
Public safety	-	1,148	-	1,148
Cemetery	12,217	-	-	12,217
Capital Outlay				
Public safety	-	11,827	-	11,827
Total Expenditures	12,217	12,975	-	25,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,533)	43,892	-	37,359
Other Financing Sources (Uses)				
Transfers in	882	2,058	-	2,940
Transfers out	-	(60,691)	-	(60,691)
Total Other Financing Sources (Uses)	882	(58,633)	-	(57,751)
Net Change in Fund Balances	(5,651)	(14,741)	-	(20,392)
Fund Balances - Beginning	14,510	32,346	313,964	360,820
Change Within Financial Reporting Entity	-	-	(313,964)	(313,964)
Fund Balances - Beginning, Restated	14,510	32,346	-	46,856
FUND BALANCES - ENDING	\$ 8,859	\$ 17,605	\$ -	\$ 26,464

CITY OF BALDWIN, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2025

	2017A GO Certificates of Participation	2024A GO Certificates of Participation	Total Debt Service Funds
Assets			
Cash and investments	<u>\$ 405,362</u>	<u>\$ 110,536</u>	<u>\$ 515,898</u>
Fund Balances			
Restricted	<u>\$ 405,362</u>	<u>\$ 110,536</u>	<u>\$ 515,898</u>

CITY OF BALDWIN, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

Year Ended December 31, 2025

	2017A GO Certificates of Participation	2024A GO Certificates of Participation	Total Debt Service Funds
Revenues			
Taxes	\$ 25,000	\$ 97,650	\$ 122,650
Other revenues	11,817	7,898	19,715
Total Revenues	36,817	105,548	142,365
Expenditures			
Debt Service			
Principal	189,089	-	189,089
Interest and fees	12,618	25,633	38,251
Total Expenditures	201,707	25,633	227,340
Excess (Deficiency) of Revenues Over (Under) Expenditures	(164,890)	79,915	(84,975)
Other Financing Sources (Uses)			
Transfers in	28,085	13,645	41,730
Net Change in Fund Balances	(136,805)	93,560	(43,245)
Fund Balances - Beginning	542,167	16,976	559,143
FUND BALANCES - ENDING	\$ 405,362	\$ 110,536	\$ 515,898

CITY OF BALDWIN, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2025

(With Comparative Amounts for December 31, 2024)

	2025	2024
Assets		
Cash and investments	\$ -	\$ 408,793
Receivables:		
Interest	27,689	29,342
Property taxes	73,071	51,914
Accounts	11,522	21,795
Lease	78,346	14,492
Due from other governments	22,856	2,178
Inventory	1,092	1,092
Prepaid items	22,350	25,252
TOTAL ASSETS	\$ 236,926	\$ 554,858
Liabilities		
Accounts payable	\$ 224,828	\$ 75,407
Accrued expenses	74,084	46,232
Due to other funds	121,851	-
Total Liabilities	420,763	121,639
Deferred Inflows of Resources		
Unavailable revenue	26,279	17,714
Lease deferments	78,362	13,089
Total Deferred Inflows of Resources	104,641	30,803
Fund Balances		
Nonspendable	23,442	26,344
Committed	-	263,005
Unassigned	(311,920)	113,067
Total Fund Balances	(288,478)	402,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 236,926	\$ 554,858

CITY OF BALDWIN, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2025

(With Comparative Amounts for the Year Ended December 31, 2024)

	Budget		2025	Variance with	2024
	Original	Final	Actual	Final Budget	Actual
Revenues					
Taxes					
Property	\$ 1,510,000	\$ 1,510,000	\$ 823,170	\$ (686,830)	\$ 720,211
Franchise	16,100	16,100	16,878	778	20,851
Total Taxes	1,526,100	1,526,100	840,048	(686,052)	741,062
Licenses and permits	-	-	164,040	164,040	188,856
Intergovernmental					
Local government aid	-	-	143,697	143,697	-
Fire department training reimbursement	10,000	10,000	23,849	13,849	12,248
State fire aid	25,000	25,000	94,936	69,936	-
Other state grants and aids	3,000	3,000	5,128	2,128	13,278
Count grants and aids for highways	135,574	135,574	71,907	(63,667)	-
Other county grants and aids	11,600	11,600	12,285	685	8,049
Grant and aids from other local governments	-	-	15,000	15,000	-
Total Intergovernmental	185,174	185,174	366,802	181,628	33,575
Charges for services					
Zoning and subdivision fees	7,700	7,700	150,571	142,871	100,181
Assessment search fees	-	-	-	-	40
Other general government fees	37,180	37,180	105,131	67,951	128,794
Fire protection contract revenue	8,655	8,655	1,260	(7,395)	-
Fire calls	8,240	8,240	10,053	1,813	10,183
Park fees	-	-	2,150	2,150	-
Total charges for services	61,775	61,775	269,165	207,390	239,198
Fines and forfeitures	-	-	6,771	6,771	6,257
Special assessments	600	600	-	(600)	-
Other Revenues					
Donations	-	-	19,964	19,964	33,762
Miscellaneous	7,283	7,283	15,928	8,645	50,052
Interest earnings	1,200	1,200	13,305	12,105	48,139
Total other revenues	8,483	8,483	49,197	40,714	131,953
Total Revenues	1,782,132	1,782,132	1,696,023	(86,109)	1,340,901
Expenditures					
Current					
General Government					
Mayor and council					
Personal services	29,041	29,041	35,023	5,982	34,018
Services	-	-	189	189	-
Other	406	406	48	(358)	363
Administration and Finance					
Personal services	161,984	161,984	170,398	8,414	161,697
Supplies	-	-	95	95	-
Services	-	-	2,639	2,639	-
Other	1,129	1,129	4,093	2,964	1,651
Elections					
Personal services	8,000	8,000	2,577	(5,423)	25,447
Supplies	-	-	436	436	5,789
Services	1,041	1,041	2,340	1,299	706
Repairs and maintenance	728	728	-	(728)	910
Other	5,408	5,408	145	(5,263)	1,616

CITY OF BALDWIN, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2025

(With Comparative Amounts for the Year Ended December 31, 2024)

	Budget		2025	Variance with	2024
	Original	Final	Actual Amounts	Final Budget	Actual Amounts
Expenditures (Continued)					
Municipal Buildings					
Personal services	\$ 6,670	\$ 6,670	\$ 12,086	\$ 5,416	\$ 17,835
Supplies	1,638	1,638	3,795	2,157	2,397
Services	23,525	23,525	29,162	5,637	25,579
Repairs and maintenance	-	-	1,100	1,100	11,270
Other	1,082	1,082	183	(899)	1,927
Other General Government					
Personal services	-	-	-	-	6,408
Supplies	3,677	3,677	2,694	(983)	4,255
Services	111,415	111,415	349,114	237,699	356,886
Other	7,084	7,084	8,050	966	2,706
Planning and Zoning					
Personal services	2,704	2,704	7,142	4,438	9,232
Supplies	3,120	3,120	174	(2,946)	677
Services	41,249	41,249	87,199	45,950	50,613
Other	1,190	1,190	-	(1,190)	-
Total General Government	411,091	411,091	718,682	307,591	721,983
Public Safety					
Police					
Services	2,163	2,163	2,000	(163)	2,058
Other	-	-	116	116	88
Fire					
Personal services	155,033	155,033	294,739	139,706	179,034
Supplies	34,882	34,882	43,215	8,333	23,448
Services	42,691	42,691	36,759	(5,932)	62,663
Repairs and maintenance	21,762	21,762	32,908	11,146	35,314
Other	17,900	17,900	33,523	15,623	20,062
Building Inspection					
Services	-	-	160,022	160,022	201,883
Total Public Safety	274,431	274,431	603,282	328,851	524,551
Public Works					
Highway and Streets					
Personal services	94,776	94,776	156,240	61,464	-
Supplies	93,787	93,787	49,741	(44,046)	-
Services	149,384	149,384	161,248	11,864	89,822
Repairs and maintenance	11,898	11,898	232,144	220,246	-
Other	1,574	1,574	7,454	5,880	33,062
Total Public Works	351,419	351,419	606,827	255,408	122,885
Culture and Recreation					
Parks					
Personal services	14,731	14,731	28,097	13,366	30,097
Supplies	23,092	23,092	7,112	(15,980)	5,877
Services	2,434	2,434	12,683	10,249	1,660
Repairs and maintenance	-	-	-	-	248
Other	1,622	1,622	5,369	3,747	1,053
Total Culture and Recreation	41,879	41,879	53,261	11,382	38,935

CITY OF BALDWIN, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2025

(With Comparative Amounts for the Year Ended December 31, 2024)

	Budget		2025 Actual Amounts	Variance with Final Budget	2024 Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital Outlay					
General government	\$ -	\$ -	\$ 44,255	\$ 44,255	\$ 235,943
Public safety	23,032	23,032	126,161	103,129	86,297
Public works	8,112	8,112	15,965	7,853	-
Total Capital Outlay	31,144	31,144	186,381	155,237	322,240
Debt Service					
Interest and fees	149,920	149,920	-	(149,920)	72
Total Debt Service	149,920	149,920	-	(149,920)	72
Total Expenditures	1,259,885	1,259,885	2,168,433	908,548	1,730,666
Excess (Deficiency) of Revenues Over (Under) Expenditures	522,247	522,247	(472,410)	(994,657)	(389,765)
Other Financing Sources (Uses)					
Transfers In	-	-	120,720	120,720	13,666
Transfers Out	-	-	(339,204)	(339,204)	(50,000)
Total Other Financing Sources (Uses)	-	-	(218,484)	(218,484)	(36,334)
Net Change in Fund Balances	\$ 522,247	\$ 522,247	(690,894)	\$ (1,213,141)	(426,099)
Fund Balances - Beginning			402,416		828,515
FUND BALANCES - ENDING			\$ (288,478)		\$ 402,416

CITY OF BALDWIN, MINNESOTA

SCHEDULE OF NET POSITION - SEWER FUND

December 31, 2025

(With Comparative Amounts for December 31, 2024)

	2025	2024
Assets		
Current Assets		
Cash and investments	\$ 91,598	\$ 100,036
Receivables:		
Accounts, net	14,523	14,351
Special assessments	24,376	24,375
Prepaid items	474	449
Total Current Assets	<u>130,971</u>	<u>139,211</u>
Noncurrent Assets		
Special assessments receivable	<u>-</u>	<u>24,376</u>
Total Assets	<u>130,971</u>	<u>163,587</u>
Liabilities		
Current Liabilities		
Accounts payable	711	2,536
Accrued expenses	1,088	1,719
Unearned Revenue	3,848	670
Long-term debt	50,911	50,911
Total Current Liabilities	<u>56,558</u>	<u>55,836</u>
Noncurrent Liabilities		
Advances from other funds	120,000	120,000
Long-term debt	36,876	87,788
Total Noncurrent Liabilities	<u>156,876</u>	<u>207,788</u>
Total Liabilities	<u>213,434</u>	<u>263,623</u>
Net Position		
Unrestricted	<u>(82,463)</u>	<u>(100,037)</u>
TOTAL NET POSITION	<u>\$ (82,463)</u>	<u>\$ (100,037)</u>

CITY OF BALDWIN, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - SEWER FUND

Year Ended December 31, 2025

(With Comparative Amounts for the Year Ended December 31, 2024)

	2025	2024
Operating Revenues		
Charges for services	\$ 68,447	\$ 50,621
Operating Expenses		
Salaries	4,984	7,891
Employee benefits	740	1,194
Supplies	8,121	5,344
Services	31,663	53,229
Insurance	1,308	1,806
Utilities	4,747	5,031
Repairs and maintenance	48	4,228
Other expenses	2,010	495
Total Operating Expenses	53,621	79,220
Operating Income (Loss)	14,826	(28,599)
Nonoperating Revenues (Expenses)		
Investment earnings	1,300	262
Special assessments	7,843	6,361
Interest and fiscal expenses	(6,366)	(4,294)
Total Nonoperating Revenues (Expenses)	2,777	2,329
Income (Loss) Before Transfers and Other Items	17,603	(26,270)
Transfers out	(29)	-
Change in Net Position	17,574	(26,270)
Net Position - Beginning	(100,037)	(73,767)
NET POSITION - ENDING	\$ (82,463)	\$ (100,037)

OTHER REQUIRED REPORTS



MINNESOTA LEGAL COMPLIANCE Independent Auditor's Report

Honorable Mayor and
Member of the City Council
Baldwin, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Baldwin, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2026.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except tax increment financing, because the City has no tax increment districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and responses as items 2025-004 and 2025-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

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

CarlsonSV LLP

Mankato, Minnesota
August 24, 2026

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Honorable Mayor and
Member of the City Council
Baldwin, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Baldwin, Minnesota (the City), as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. As described in the accompanying schedule of findings and responses, we did identify a deficiency in internal control that we consider to be a material weakness as item 2025-001.

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. As described in the accompanying schedule of findings and responses, we consider the following deficiencies in internal control to be significant deficiencies as items 2025-002 and 2025-003.

This communication is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

CarlsonSV LLP

Mankato, Minnesota
August 24, 2026

CITY OF BALDWIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2025

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

Finding 2025-001. Material Audit Adjustments

Condition:	The audit firm proposed, and the City approved corrections of certain misstatements.
Criteria:	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Joan Heinen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2026

CITY OF BALDWIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2025

Corrective Action Plan (CAP) (Continued)

Plan to Monitor Completion of CAP:

City Council

SIGNIFICANT DEFICIENCIES

Finding 2025-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The City does have an internal control in place for the review of the drafted financial statements, however, the City does not have an internal control system designed to provide for the preparation of the related notes being audited. Based on the degree of complexity and level of detail needed to prepare the financial statement disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors prepare them.
Criteria:	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The City has informed us they do not have the expertise to prepare the annual financial statement disclosures, although the City has reviewed and approved the annual financial statements as prepared by the audit firm.
Effect:	This could result in a material omission of a disclosure that would not be prevented or detected and corrected as a result of the City's current internal control.
Recommendation:	The City should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the City will review the notes for accuracy and compare balances in the financial report to the general ledger and other City reports prior to issuance of the financial statements.

CITY OF BALDWIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2025

Corrective Action Plan (CAP) (Continued)

Official Responsible for Ensuring CAP:

Joan Heinen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2026

Plan to Monitor Completion of CAP:

City Council

Finding 2025-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria:	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

CITY OF BALDWIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2025

Corrective Action Plan (CAP) (Continued)

Official Responsible for Ensuring CAP:

Joan Heinen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2026

Plan to Monitor Completion of CAP:

City Council

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

2025-004. Prompt Payment of Local Government Bills

MSA 471.425 subd. 2 (Prompt Payment of Local Government Bills) requires all bills to be paid within 35 days from receipt for government boards that meet at least once a month, or within the period set by the contract terms.

During 2025, the City did not pay all claims within the time period set by contract or the standard payment period.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will utilize a date stamp for all invoices received to ensure proper notation of the date received and will review invoices for timeliness as the payment date approaches.

Official Responsible for Ensuring CAP:

Joan Heinen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2026

CITY OF BALDWIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2025

Corrective Action Plan (CAP) (Continued)

Plan to Monitor Completion of CAP:

City Council

Finding 2025-005. Failure to Receive Contractor's Withholding Affidavit

MSA 270C.66, requires the City before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors, to obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements.

During 2025, the City encountered an issue wherein a contractor's withholding affidavit was not received prior to the release of final payment for a construction project.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will develop a policy to ensure that contractor withholding affidavits are received prior to releasing final payment when applicable.

Official Responsible for Ensuring CAP:

Joan Heinen, City Clerk/Treasurer

Planned Completion Date for CAP:

December 31, 2026

Plan to Monitor Completion of CAP:

City Council

CITY OF BALDWIN, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2025

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2024-001	Material Audit Adjustments	Not Corrected	2022	See Current Year Finding 2025-001
2024-002	Auditor Preparation of Financial Statements	Not Corrected	2007	See Current Year Finding 2025-002
2024-003	Limited Segregation of Duties	Not Corrected	2007	See Current Year Finding 2025-003
Minnesota Legal Compliance Findings:				
2024-004	Prompt Payment of Local Government Bills	Not Corrected	2024	See Current Year Finding 2025-004
2024-005	Failure to Receive the Responsible Contractor's Affidavit	Corrected	2024	N/A
2024-006	Failure to Acquire Public Safety Equipment by Competitive Bidding or Proposals	Corrected	2024	N/A

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