

# Annual Financial Report

## Credit River Township

Scott County, Minnesota

For the Year Ended  
December 31, 2017

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Credit River Township, Minnesota  
Annual Financial Report  
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For the Year Ended December 31, 2017

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INTRODUCTORY SECTION  
CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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Credit River Township, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2017

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Kostik	Chairman	03/31/19
Al Novak	Vice Chairman	03/31/20
Brent Lawrence	Supervisor	03/31/20
Leroy Schommer	Supervisor	03/31/18
Paul Howe	Supervisor	03/31/18

**TOWNSHIP OFFICIALS - APPOINTED**

<u>Name</u>	<u>Title</u>
Karen Donovan	Clerk
Dominique Hill	Treasurer

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FINANCIAL SECTION  
CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Credit River Township  
Scott County, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of Credit River Township, Minnesota (the Township), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and the Road and Bridge fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Report on Summarized Comparative Information

The prior year comparative information has been derived from the Township's 2016 financial statements and, in our report dated February 21, 2017, we expressed unmodified opinions on the respective proprietary fund financial statements.

### Other Matters

#### *Required Supplementary Information*

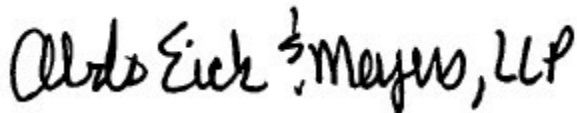
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
February 27, 2018

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## **Management's Discussion and Analysis**

As management of Credit River Township, Minnesota, (the Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2017.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,163,140 (net position). Of this amount, \$3,291,026 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position decreased by \$5,492. This is the result the decreases of both governmental activities and business-type activities.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,352,385, an increase of \$319,955 in comparison with the prior year, this is primarily due to lower spending on capital projects. Approximately 56.5 percent of this total amount, \$1,893,477, is available for spending at the Township's discretion, with \$1,286,909 being assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$606,568, or 106.6 percent of 2018 General fund budgeted expenditures.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules which further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about non-major governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**Township's Annual Financial Report**

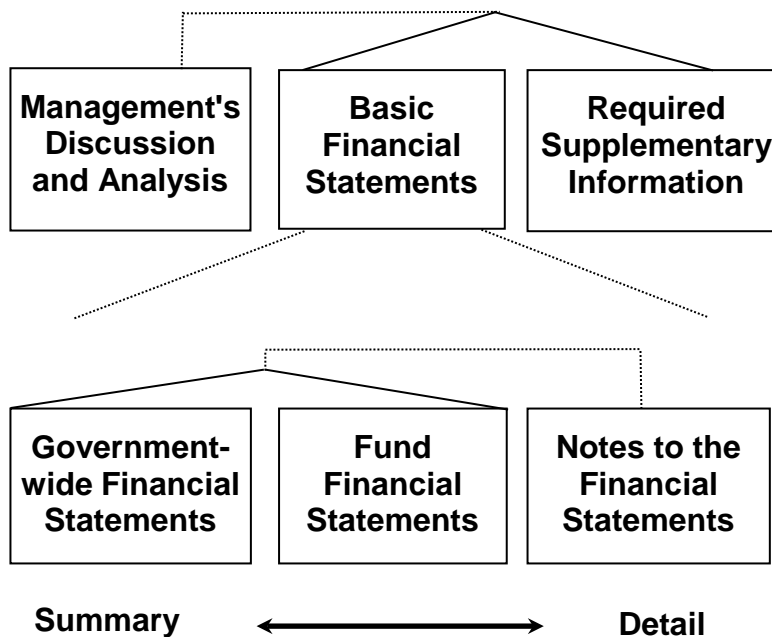


Figure 2 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's component units	The activities of the Township that are not proprietary or fiduciary, such as police, fire and parks	Activities the Township operates similar to private businesses, such as the sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenue (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the Township include its sewer system.

The government-wide financial statements can be found starting on page 27 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains eight individual governmental funds, three of which are debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Road and Bridge, Debt Service funds and the Capital Improvements, which are considered to be major funds. Individual fund data for the nonmajor governmental fund is provided on the same statement.

The Township adopts an annual appropriated budget for its General and Road and Bridge fund. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

**Proprietary Funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer subordinate service districts.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the sewer subordinate service districts as a whole. Data for individual sewer subordinate service districts is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 42 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 45 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 66 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found starting on page 70 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,163,140 at the close of the most recent fiscal year.

By far, the largest portion of the Township’s net position (68.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of *unrestricted net position* (\$3,291,026) may be used to meet the Township’s ongoing obligations to citizens and creditors.

**Credit River Township’s Net Position**

	Governmental Activities			Business-type Activities		
	2017	As Restated 2016	Increase (Decrease)	2017	2016	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 4,757,973	\$ 4,723,800	\$ 34,173	\$ 620,635	\$ 507,607	\$ 113,028
Capital assets (net of depreciation)	11,088,300	11,555,231	(466,931)	2,143,811	2,185,931	(42,120)
<b>Total Assets</b>	<b>15,846,273</b>	<b>16,279,031</b>	<b>(432,758)</b>	<b>2,764,446</b>	<b>2,693,538</b>	<b>70,908</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	21,106	29,180	(8,074)	-	-	-
<b>Liabilities</b>						
Current and other liabilities	135,041	226,358	(91,317)	96,377	22,746	73,631
Noncurrent	2,223,839	2,578,076	(354,237)	-	-	-
<b>Total Liabilities</b>	<b>2,358,880</b>	<b>2,804,434</b>	<b>(445,554)</b>	<b>96,377</b>	<b>22,746</b>	<b>73,631</b>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	13,428	5,937	7,491	-	-	-
<b>Net Position</b>						
Net investment in capital assets	8,928,300	9,050,231	(121,931)	2,143,811	2,185,931	(42,120)
Restricted for						
Park improvements	32,282	24,373	7,909	-	-	-
Capital replacement and repair	-	-	-	282,118	276,376	5,742
Debt service	1,485,603	1,556,696	(71,093)	-	-	-
Unrestricted	3,048,886	2,866,540	182,346	242,140	208,485	33,655
<b>Total Net Position</b>	<b>\$ 13,495,071</b>	<b>\$ 13,497,840</b>	<b>\$ (2,769)</b>	<b>\$ 2,668,069</b>	<b>\$ 2,670,792</b>	<b>\$ (2,723)</b>

At the end of the current fiscal year, the Township is able to report a positive balance in net position for both governmental and business-type activities. The same situation held true in the prior year.

**Governmental Activities.** Governmental activities decreased the Township's net position by \$2,769, Additional details are outlined below.

### Credit River Township's Changes in Net Position

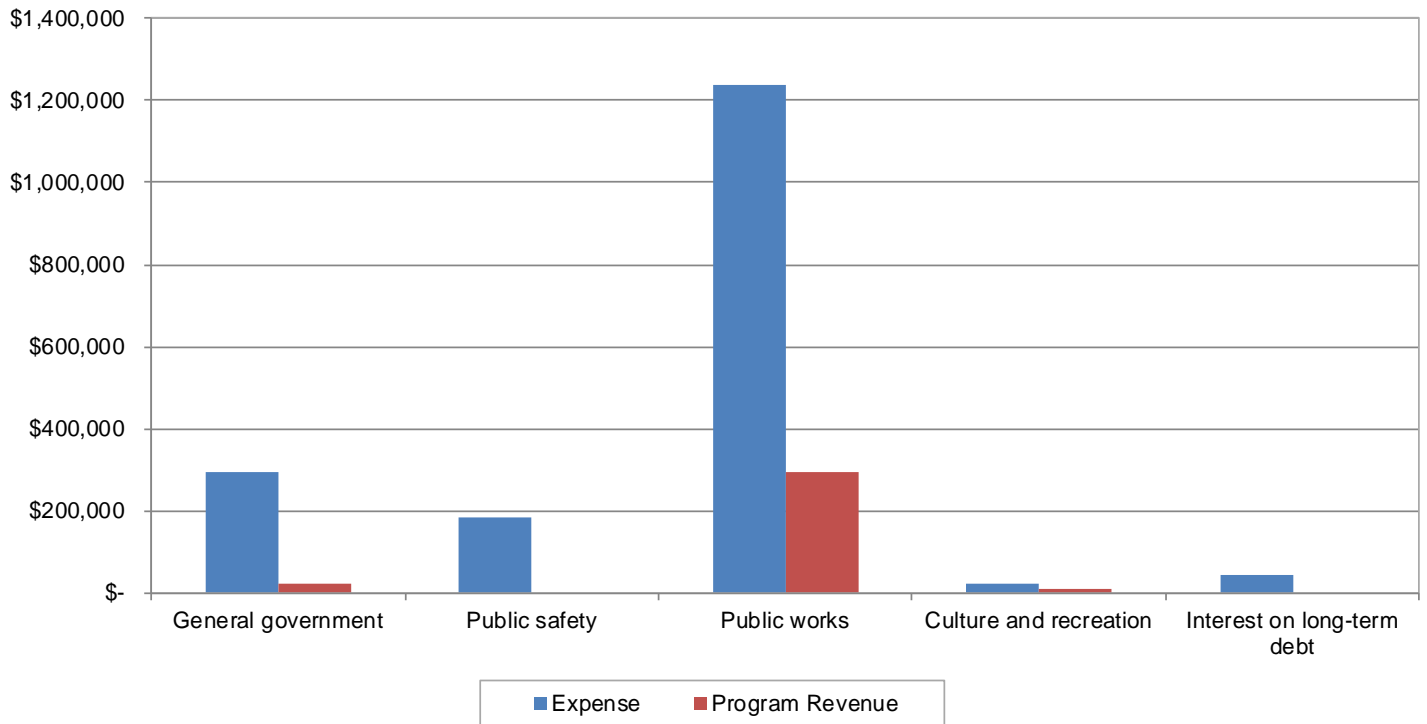
	Governmental Activities			Business-type Activities		
	2017	As Restated 2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Program Revenues						
Charges for services	\$ 30,174	\$ 29,579	\$ 595	\$ 230,843	\$ 229,335	\$ 1,508
Operating grants and contributions	44,628	43,105	1,523	-	-	-
Capital grants and contributions	249,864	519,325	(269,461)	51,200	-	51,200
General revenues						
Taxes						
Property taxes, levied for general purposes	1,420,635	1,337,807	82,828	-	-	-
Franchise taxes	24,839	29,972	(5,133)	-	-	-
State grants and contributions not restricted to specific programs	2,440	31,434	(28,994)	-	-	-
Unrestricted investment earnings	8,684	8,699	(15)	798	714	84
Miscellaneous	-	2,275	(2,275)	-	-	-
<b>Total Revenues</b>	<b>1,781,264</b>	<b>2,002,196</b>	<b>(220,932)</b>	<b>282,841</b>	<b>230,049</b>	<b>52,792</b>
Expenses						
General government	295,750	247,078	48,672	-	-	-
Public safety	184,947	196,659	(11,712)	-	-	-
Public works	1,238,886	992,127	246,759	-	-	-
Culture and recreation	20,617	27,809	(7,192)	-	-	-
Interest on long-term debt	43,833	48,646	(4,813)	-	-	-
Sewer	-	-	-	285,564	254,519	31,045
<b>Total Expenses</b>	<b>1,784,033</b>	<b>1,512,319</b>	<b>271,714</b>	<b>285,564</b>	<b>254,519</b>	<b>31,045</b>
<b>Change In Net Position</b>	<b>(2,769)</b>	<b>489,877</b>	<b>(492,646)</b>	<b>(2,723)</b>	<b>(24,470)</b>	<b>21,747</b>
<b>Net Position, January 1</b>	<b>13,497,840</b>	<b>13,007,963</b>	<b>489,877</b>	<b>2,670,792</b>	<b>2,695,262</b>	<b>(24,470)</b>
<b>Net Position, December 31</b>	<b>\$ 13,495,071</b>	<b>\$ 13,497,840</b>	<b>\$ (2,769)</b>	<b>\$ 2,668,069</b>	<b>\$ 2,670,792</b>	<b>\$ (2,723)</b>

The Township's total net position decreased \$5,492 during the year as compared to a total increase of \$379,961 in 2016. Key highlights of the decrease and difference from prior year expectation can be explained by the following:

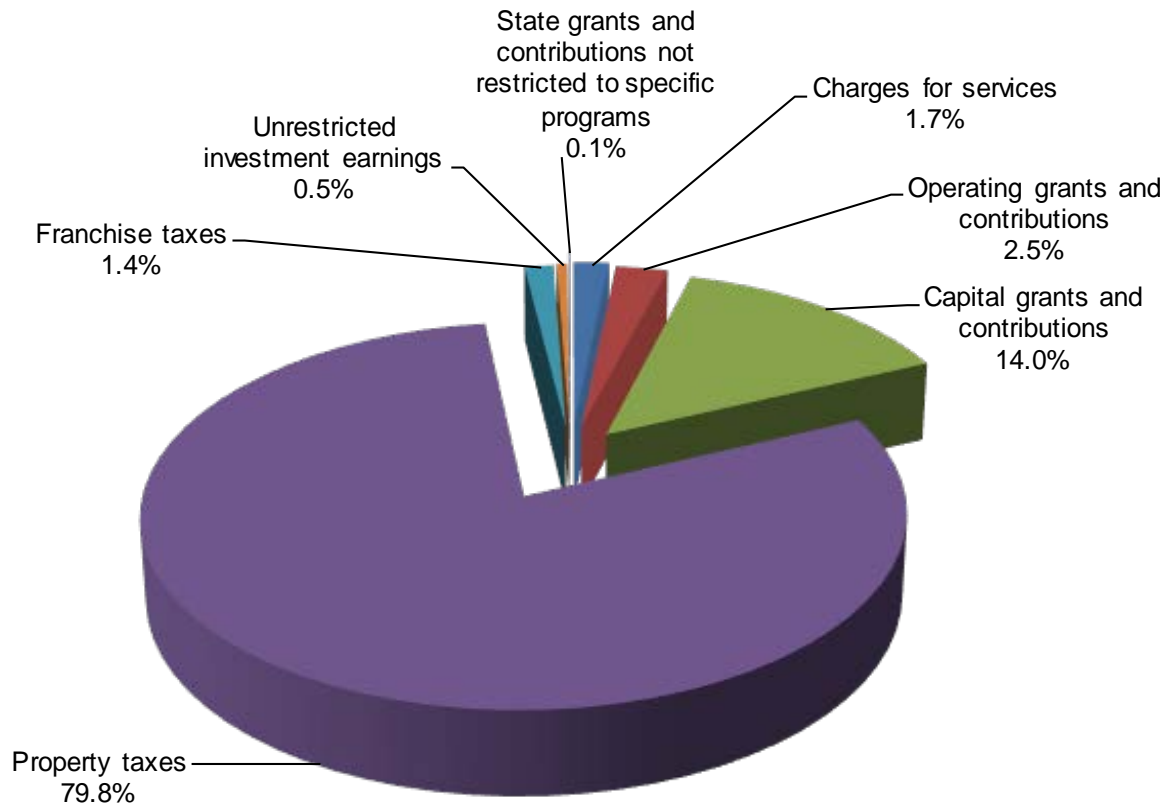
- Capital grants and contributions decreased \$269,461 primarily due to less special assessments revenue received in the current year.
- Expenses in public works increased by \$246,759 which was mostly due to increased street project expenses from prior year.
- Property taxes represent 79.8 percent of total governmental revenue in 2017. Property tax revenue increased \$82,828 from 2016.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds had combined ending fund balances of \$3,352,385, an increase of \$319,955 in comparison with the prior year. Approximately 18.1 percent of this total amount, \$606,568, constitutes *unassigned fund balance*, which is available for spending at the Township's discretion. The remainder of fund balance is either: 1) Nonspendable (\$2,675), 2) Restricted (\$909,764), 3) Committed (\$546,469) or 4) Assigned (\$1,286,909).

The following outlines all major funds:

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
<b>General</b>	\$ 609,243	\$ 551,780	\$ 57,463
The General fund is the chief operating fund of the Township. At the end of the current year, the fund balance of the General fund was \$609,243, a increase of \$57,463 from 2016. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Total fund balance represents 115 percent of same year fund expenditures. Increase in fund balance partially due to approximately \$30,000 positive variance in property taxes due to collection of tax forfeitures.			
<b>Road and Bridge</b>	\$ 1,313,438	\$ 1,205,418	\$ 108,020
The Road and Bridge fund balance increased \$108,020 during the year. The reason for the change in fund balance was due to a positive budget variance in fund expenditures of \$207,870. This variance mainly relates to less than expected road patching and plowing.			
<b>Debt Service</b>	\$ 877,482	\$ 743,690	\$ 133,792
The Debt Service fund balance is restricted for future debt payments. The increase in fund balance of \$133,792 is due to prepayments of special assessments assessed on properties.			
<b>Capital Improvements</b>	\$ 404,994	\$ 306,775	\$ 98,219
The fund balance in the Capital Improvement fund is assigned for future capital purchases. The fund balance increased \$98,219 mainly due to resources from property taxes and special assessments exceeding current year capital purchases.			

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$219,740. The total decrease in net position for the sewer fund was \$2,723, primarily due to the Territory Subordinate Service District's operating expenses exceeding revenues. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

## General Fund Budgetary Highlights

The Township's General fund budget was not amended during the year. Revenues had a positive budget variance and expenditures had a negative budget variance, and overall the General fund had a positive budget variance of \$37,453.

Some of the significant variances can be briefly summarized as follows:

- Total expenditures had a negative budget variance of \$6,112 over budget. The main reason for the variance was general government expenditures being over budget \$37,607 due to increased legal fees and incorporation costs incurred. Offsetting some of the negative budget variance was a positive budget variance in public works of
- Significant revenue variances were in property taxes and franchise taxes which had positive budget variances of \$29,376 and \$3,639, respectively. The property taxes positive variance can mainly be attributed to tax forfeitures.

## Road and Bridge Fund Budgetary Highlights

The budget for the Township's Road and Bridge fund was not amended during the year. The budget called for expenditures to exceed revenues by \$99,096. Actual results show a positive budget variance of \$207,116. The \$207,116

largest budget variance was in expenditures for public works with a positive budget variance of \$207,870, which was mostly due to less than expected road patching and plowing.

## Capital Assets and Debt Administration

**Capital Assets.** The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$13,232,111 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the Township's capital assets can be found in Note 3B starting on page 56 of this report.

### Credit River Township's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 1,126,500	\$ 1,126,500	\$ -	\$ -	\$ -	\$ -
Construction Work in Progress	-	-	-	-	-	-
Buildings	21,828	23,629	(1,801)	-	-	-
Improvements other than Building	364,824	119,973	244,851	-	-	-
Machinery and Equipment	34,766	40,654	(5,888)	-	-	-
Infrastructure	9,540,382	10,244,475	(704,093)	2,143,811	2,185,931	(42,120)
<b>Total</b>	<b>\$ 11,088,300</b>	<b>\$ 11,555,231</b>	<b>\$ (466,931)</b>	<b>\$ 2,143,811</b>	<b>\$ 2,185,931</b>	<b>\$ (42,120)</b>

**Long-term Debt.** At the end of the current fiscal year, the Township had total bonded debt outstanding of \$2,160,000. Total bonded debt decreased \$345,000 due to scheduled principal payments made during the year.

### Credit River Township’s Outstanding Debt

	Governmental Activities		
	2017	2016	Increase (Decrease)
Bonds Payable	\$ 2,160,000	\$ 2,505,000	\$ (345,000)

#### Economic Factors and Next Year’s Budgets and Rates

- The General fund expenditure budget for 2018 increased by approximately \$163,000 from the 2017 expenditure budget. This increase is attributed to incorporation costs , the fire contract, Township Building and Equipment and election expenses.
- The Road and Bridge fund expenditure budget for 2018 increased by approximately \$89,000 from the 2017 expenditure budget. This is mainly due to an increase in road repair and sealcoat expenditure.
- The township has a five year Road Maintenance and Capital Improvement Plan that will maximize the investment in that infrastructure. Each year this is reviewed and updated based on current road conditions. The township has a capital improvement project that will be considered for the 2018 year.
- The amounts previously budgeted for incorporation studies/implementation continues to be tracked separately by the Township as in previous years.

#### Requests for Information

This financial report is designed to provide a general overview of the Township’s finances for all those with an interest in the Township’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Credit River Township; Attn: Treasurer; 18985 Meadow View Blvd; Prior Lake, Minnesota 55372.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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Credit River Township, Minnesota

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 3,446,155	\$ 307,960	\$ 3,754,115
Restricted cash and temporary investments	-	282,118	282,118
Receivables			
Taxes	19,522	-	19,522
Accounts	6,225	2,964	9,189
Special assessments	1,282,753	27,262	1,310,015
Due from other governments	643	-	643
Prepaid items	2,675	331	3,006
Capital assets			
Land and construction in progress	1,126,500	-	1,126,500
Depreciable assets (net of accumulated depreciation)	9,961,800	2,143,811	12,105,611
Total Assets	15,846,273	2,764,446	18,610,719
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	21,106	-	21,106
<b>Liabilities</b>			
Accounts payable	101,980	94,748	196,728
Due to other governments	6,734	-	6,734
Accrued salaries payable	8,768	448	9,216
Deposits payable	-	1,181	1,181
Accrued interest payable	17,559	-	17,559
Noncurrent liabilities			
Due within one year	350,000	-	350,000
Due in more than one year	1,873,839	-	1,873,839
Total Liabilities	2,358,880	96,377	2,455,257
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	13,428	-	13,428
<b>Net Position</b>			
Net investment in capital assets	8,928,300	2,143,811	11,072,111
Restricted for			
Capital replacement and repair	-	282,118	282,118
Park improvement	32,282	-	32,282
Debt service	1,485,603	-	1,485,603
Unrestricted	3,048,886	242,140	3,291,026
Total Net Position	\$ 13,495,071	\$ 2,668,069	\$ 16,163,140

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

Credit River Township, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 295,750	\$ 20,129	\$ -	\$ -
Public safety	184,947	-	-	-
Public works	1,238,886	45	44,628	249,864
Culture and recreation	20,617	10,000	-	-
Interest on long-term debt	43,833	-	-	-
Total Governmental Activities	<u>1,784,033</u>	<u>30,174</u>	<u>44,628</u>	<u>249,864</u>
<b>Business-Type Activities</b>				
Sewer	<u>285,564</u>	<u>230,843</u>	<u>-</u>	<u>51,200</u>
Total	<u>\$ 2,069,597</u>	<u>\$ 261,017</u>	<u>\$ 44,628</u>	<u>\$ 301,064</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Total General Revenues

Change in Net Position

Net Position as Restated, January 1

Net Position, December 31

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

Net (Expenses) Revenues and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (275,621)	\$ -	\$ (275,621)
(184,947)	-	(184,947)
(944,349)	-	(944,349)
(10,617)	-	(10,617)
(43,833)	-	(43,833)
<u>(1,459,367)</u>	<u>-</u>	<u>(1,459,367)</u>
-	(3,521)	(3,521)
<u>(1,459,367)</u>	<u>(3,521)</u>	<u>(1,462,888)</u>
1,217,794	-	1,217,794
202,841	-	202,841
24,839	-	24,839
2,440	-	2,440
8,684	798	9,482
<u>1,456,598</u>	<u>798</u>	<u>1,457,396</u>
(2,769)	(2,723)	(5,492)
<u>13,497,840</u>	<u>2,670,792</u>	<u>16,168,632</u>
<u>\$ 13,495,071</u>	<u>\$ 2,668,069</u>	<u>\$ 16,163,140</u>

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

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FUND FINANCIAL STATEMENTS

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

Credit River Township, Minnesota

Balance Sheet  
 Governmental Funds  
 December 31, 2017

	100	201, 203, 204	300's
	General	Road and Bridge	Debt Service
<b>Assets</b>			
Cash and temporary investments	\$ 641,723	\$ 1,332,009	\$ 874,552
Receivables			
Taxes	6,987	5,503	2,602
Accounts	6,225	-	-
Special assessments	-	24,142	625,365
Due from other governments	-	-	643
Prepaid items	2,675	-	-
	<u>2,675</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 657,610</u>	<u>\$ 1,361,654</u>	<u>\$ 1,503,162</u>
<b>Liabilities</b>			
Accounts payable	\$ 37,790	\$ 15,545	\$ -
Accrued salaries payable	8,588	80	-
Due to other governments	-	6,734	-
Total Liabilities	<u>46,378</u>	<u>22,359</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes	1,989	1,715	619
Unavailable revenue - special assessments	-	24,142	625,061
Total Deferred Inflows of Resources	<u>1,989</u>	<u>25,857</u>	<u>625,680</u>
<b>Fund Balances</b>			
Nonspendable			
Prepaid items	2,675	-	-
Restricted for			
Park improvements	-	-	-
Debt service	-	-	877,482
Committed for			
Road and bridge improvement	-	546,469	-
Assigned for			
Park improvements	-	-	-
Road projects	-	766,969	-
Unassigned	606,568	-	-
Total Fund Balances	<u>609,243</u>	<u>1,313,438</u>	<u>877,482</u>
	<u>\$ 657,610</u>	<u>\$ 1,361,654</u>	<u>\$ 1,503,162</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 657,610</u>	<u>\$ 1,361,654</u>	<u>\$ 1,503,162</u>

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

<b>401</b>		
<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 450,643	\$ 147,228	\$ 3,446,155
4,430	-	19,522
-	-	6,225
633,246	-	1,282,753
-	-	643
-	-	2,675
<u>\$ 1,088,319</u>	<u>\$ 147,228</u>	<u>\$ 4,757,973</u>
\$ 48,645	\$ -	\$ 101,980
100	-	8,768
-	-	6,734
<u>48,745</u>	<u>-</u>	<u>117,482</u>
1,381	-	5,704
633,199	-	1,282,402
<u>634,580</u>	<u>-</u>	<u>1,288,106</u>
-	-	2,675
-	32,282	32,282
-	-	877,482
-	-	546,469
-	114,946	114,946
404,994	-	1,171,963
-	-	606,568
<u>404,994</u>	<u>147,228</u>	<u>3,352,385</u>
<u>\$ 1,088,319</u>	<u>\$ 147,228</u>	<u>\$ 4,757,973</u>

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

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Credit River Township, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2017

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

Total Fund Balances - Governmental	\$ 3,352,385
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	15,880,473
Less: accumulated depreciation	(4,792,173)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(2,160,000)
Pension liability	(63,839)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	5,704
Special assessments receivable	1,282,402
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	21,106
Deferred inflows of pension resources	(13,428)
Governmental funds do not report a liability for accrued interest until due and payable.	(17,559)
Total Net Position - Governmental Activities	\$ 13,495,071

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

Credit River Township, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2017

	<b>100</b>	<b>201, 203, 204</b>	<b>300's</b>
	General	Road and Bridge	Debt Service
<b>Revenues</b>			
Property taxes	\$ 530,692	\$ 383,529	\$ 202,841
Franchise taxes	24,839	-	-
Licenses and permits	6,275	-	-
Intergovernmental	918	43,621	340
Charges for services	13,899	-	-
Special assessments	1,649	5,161	236,078
Investment earnings	8,684	-	-
<b>Total Revenues</b>	<u>586,956</u>	<u>432,311</u>	<u>439,259</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	277,972	-	-
Public safety	184,947	-	-
Public works	55,924	324,291	-
Culture and recreation	10,650	-	-
<b>Capital outlay</b>			
Public works	-	-	-
Culture and recreation	-	-	-
<b>Debt service</b>			
Principal	-	-	345,000
Interest and other charges	-	-	45,913
<b>Total Expenditures</b>	<u>529,493</u>	<u>324,291</u>	<u>390,913</u>
<b>Excess of Revenues Over Expenditures</b>	<u>57,463</u>	<u>108,020</u>	<u>48,346</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	85,446
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>85,446</u>
<b>Net Change in Fund Balances</b>	57,463	108,020	133,792
<b>Fund Balances, January 1</b>	551,780	1,205,418	743,690
<b>Prior Period Adjustment - Note 6</b>	-	-	-
<b>Fund Balances, December 31</b>	<u>\$ 609,243</u>	<u>\$ 1,313,438</u>	<u>\$ 877,482</u>

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

401		
Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ 308,737	\$ -	\$ 1,425,799
-	-	24,839
-	-	6,275
517	-	45,396
-	10,000	23,899
200,006	-	442,894
-	-	8,684
<u>509,260</u>	<u>10,000</u>	<u>1,977,786</u>
-	-	277,972
-	-	184,947
-	-	380,215
-	779	11,429
411,041	-	411,041
-	1,314	1,314
-	-	345,000
-	-	45,913
<u>411,041</u>	<u>2,093</u>	<u>1,657,831</u>
<u>98,219</u>	<u>7,907</u>	<u>319,955</u>
-	-	85,446
-	(85,446)	(85,446)
-	(85,446)	-
98,219	(77,539)	319,955
306,775	139,321	2,946,984
-	85,446	85,446
<u>\$ 404,994</u>	<u>\$ 147,228</u>	<u>\$ 3,352,385</u>

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

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Credit River Township, Minnesota  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2017

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

Total Net Change in Fund Balances - Governmental Funds	\$	319,955
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlays		256,468
Depreciation expense		(723,399)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal repayments		345,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		2,080
<p>Long-term pension activity is not reported in governmental funds.</p>		
Pension expense		(6,328)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>		
Special assessments		(191,381)
Property taxes		(5,164)
		(2,769)
Change in Net Position - Governmental Activities	\$	(2,769)

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

Credit River Township, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund and Road and Bridge Fund  
For the Year Ended December 31, 2017

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 501,316	\$ 501,316	\$ 530,692	\$ 29,376
Franchise taxes	21,200	21,200	24,839	3,639
Licenses and permits	3,300	3,300	6,275	2,975
Intergovernmental	-	-	918	918
Charges for services	10,375	10,375	13,899	3,524
Special assessments	-	-	1,649	1,649
Investment earnings	7,200	7,200	8,684	1,484
Total Revenues	<u>543,391</u>	<u>543,391</u>	<u>586,956</u>	<u>43,565</u>
Expenditures				
Current				
General government	240,365	240,365	277,972	(37,607)
Public safety	184,766	184,766	184,947	(181)
Public works	85,275	85,275	55,924	29,351
Culture and recreation	11,975	11,975	10,650	1,325
Capital outlay	1,000	1,000	-	1,000
Total Expenditures	<u>523,381</u>	<u>523,381</u>	<u>529,493</u>	<u>(6,112)</u>
Net Change in Fund Balances	20,010	20,010	57,463	37,453
Fund Balances, January 1	<u>551,780</u>	<u>551,780</u>	<u>551,780</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 571,790</u>	<u>\$ 571,790</u>	<u>\$ 609,243</u>	<u>\$ 37,453</u>

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

Road and Bridge

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ 385,000	\$ 385,000	\$ 383,529	\$ (1,471)
-	-	-	-
-	-	-	-
45,000	45,000	43,621	(1,379)
-	-	-	-
3,065	3,065	5,161	2,096
-	-	-	-
<u>433,065</u>	<u>433,065</u>	<u>432,311</u>	<u>(754)</u>
-	-	-	-
-	-	-	-
532,161	532,161	324,291	207,870
-	-	-	-
-	-	-	-
<u>532,161</u>	<u>532,161</u>	<u>324,291</u>	<u>207,870</u>
(99,096)	(99,096)	108,020	207,116
<u>1,205,418</u>	<u>1,205,418</u>	<u>1,205,418</u>	<u>-</u>
<u>\$ 1,106,322</u>	<u>\$ 1,106,322</u>	<u>\$ 1,313,438</u>	<u>\$ 207,116</u>

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

Credit River Township, Minnesota  
 Statements of Net Position  
 Proprietary Fund  
 December 31, 2017 and 2016

	Business-type Activities -	
	Enterprise Funds	
	Sewer Subordinate	Service Districts
	2017	2016
Assets		
Current Assets		
Cash and temporary investments	\$ 307,960	\$ 222,552
Receivables		
Accounts	2,964	3,040
Special assessments	4,862	5,138
Prepaid items	331	501
Total Current Assets	<u>316,117</u>	<u>231,231</u>
Noncurrent Assets		
Restricted cash and temporary investments	<u>282,118</u>	<u>276,376</u>
Capital assets		
Special assessments	22,400	-
Infrastructure	2,712,849	2,656,401
Less accumulated depreciation	(569,038)	(470,470)
Net Capital Assets	<u>2,166,211</u>	<u>2,185,931</u>
Total Noncurrent Assets	<u>2,448,329</u>	<u>2,462,307</u>
Total Assets	<u>2,764,446</u>	<u>2,693,538</u>
Liabilities		
Current Liabilities		
Accounts payable	94,748	20,719
Accrued salaries payable	448	699
Deposits payable	1,181	1,328
Total Liabilities	<u>96,377</u>	<u>22,746</u>
Net Position		
Investment in capital assets	2,166,211	2,185,931
Restricted for capital replacement and repair	282,118	276,376
Unrestricted	<u>219,740</u>	<u>208,485</u>
Total Net Position	<u>\$ 2,668,069</u>	<u>\$ 2,670,792</u>

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

Credit River Township, Minnesota  
 Statements of Revenues, Expenses and Changes in Net Position  
 Proprietary Fund  
 For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate Service Districts	
	2017	2016
Operating Revenues		
Charges for services	\$ 230,843	\$ 229,335
Operating Expenses		
Personal services	7,528	4,929
Telephone and office expenses	6,264	5,309
Maintenance	92,636	95,926
Repairs	4,591	2,289
Professional services	20,931	15,645
Utilities	9,286	7,401
Other expense	45,760	24,416
Depreciation	98,568	98,604
Total Operating Expenses	285,564	254,519
Operating Loss	(54,721)	(25,184)
Nonoperating Revenues		
Investment earnings	798	714
Special assessments	51,200	-
Total nonoperating revenue	51,998	714
Change In Net Position	(2,723)	(24,470)
Net Position, January 1	2,670,792	2,695,262
Net Position, December 31	\$ 2,668,069	\$ 2,670,792

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

Credit River Township, Minnesota  
Statements of Cash Flows  
Proprietary Fund  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate Service Districts	
	2017	2016
Cash Flows from Operating Activities		
Receipts from customers	\$ 231,195	\$ 228,164
Payments to suppliers	(161,864)	(157,228)
Payments to employees	(7,779)	(5,076)
Net Cash Provided by Operating Activities	61,552	65,860
Cash Flows from Capital and Related Financing Activities		
Special assessments received	28,800	-
Cash Flows from Investing Activities		
Interest received on investments	798	714
Net Increase in Cash and Cash Equivalents	91,150	66,574
Cash and Cash Equivalents, January 1	498,928	432,354
Cash and Cash Equivalents, December 31	\$ 590,078	\$ 498,928
Cash and Cash Equivalents as Reported on the Statement of Net Position		
Cash and temporary investments	\$ 307,960	\$ 222,552
Restricted cash and temporary investments	282,118	276,376
Total Cash and Cash Equivalents	\$ 590,078	\$ 498,928
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (54,721)	\$ (25,184)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	98,568	98,604
Increase (decrease) in assets		
Accounts receivable	76	504
Special assessments receivable	276	(1,675)
Prepaid items	170	2
Increase (decrease) in liabilities		
Accounts payable	17,581	(6,113)
Accrued salaries payable	(251)	(147)
Deposits payable	(147)	(131)
Net Cash Provided by Operating Activities	\$ 61,552	\$ 65,860
Noncash Capital and Related Financing Activities		
Capital Purchased on Account	\$ 56,448	\$ -

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

Credit River Township, Minnesota  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2017

	<u>Agency</u> <u>Escrow</u>
Assets	
Cash and temporary investments	<u>\$ 247,249</u>
Liabilities	
Deposits payable	<u>\$ 247,249</u>

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

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Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

Credit River Township, Minnesota (the Township), is organized and governed by the standard structure of five Supervisors, one Clerk, and one Treasurer. The five Board Members are elected by eligible voters of the Township while the Clerk and Treasurer are appointed positions. The Township has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township'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. The Township has no 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 of the nonfiduciary activities of the Township. *Governmental activities*, which are normally 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns 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*. 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 considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township 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, 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 considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the 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 Township receives value without directly giving equal value in return, include property taxes, grants, entitlement 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 Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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.

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 Township reports the following major governmental funds:

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

The *Road and Bridge fund* accounts for resources accumulated and payments made related to road maintenance and snow removal.

The *Debt Service fund* accounts for the debt service activity associated with the long-term general obligation debt of governmental funds.

The *Capital Improvements fund* accounts for capital projects related to road and bridges.

The Township reports the following major proprietary fund:

The *Sewer Subordinate Service District fund* accounts for the activities of the Township's wastewater treatment for community septic treatment systems.

Additionally, the Township reports the following fund types:

*Fiduciary funds* account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The *Escrow agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Township holds for others in an agency capacity.

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 Township's sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 Township's enterprise funds are charges to customers for sewer services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

***Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on the Township's policy.

The Township may 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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Property Taxes***

The Board annually adopts a tax levy at their Annual Town Meeting. The levy is then certified to the County for collection in the following year. The County is responsible for collecting all property taxes for the Township. These taxes attach an enforceable lien on taxable property within the Township on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the Township during January, June, and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflows 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. The Township annually certifies delinquent charges 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 special assessments receivable are offset by a deferred inflow of resources liability in the governmental fund financial statements.

***Prepaid Items***

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

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years.

Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The Township reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

Property, plant and equipment will be depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and Structures	20 to 50
Improvements other than Buildings	15 to 30
Machinery and Equipment	5 to 10
Infrastructure	20 to 30

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

***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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

## Note 1: Summary of Significant Accounting Policies (Continued)

### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net 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. The Township has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Township has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

### ***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Township 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 Township'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.

*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 Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Treasurer.

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

The Township considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Township would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Township has formally adopted a fund balance policy for the General fund. The Township's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Net Position***

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

### ***Restricted Net Position/Cash Balances***

The Township has reserve requirements relating to a portion of the fees collected from the Subordinate Sewer districts. The restricted funds are restricted for future capital expenditures of the districts.

### ***Comparative Data/Reclassifications***

Comparative data for the prior year has been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## **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 and selected special revenue funds. All annual appropriations lapse at fiscal year-end. The Township does not use encumbrance accounting.

In July/August of each year, the proposed budget is prepared by the Board and management. The Board holds public hearing in September at the continuation of the annual meeting. A final budget is prepared and adopted prior to the beginning of the year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between funds require the approval of the Board. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Board. There were no budget amendments made during 2017.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2017, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General Fund	<u>\$ 523,381</u>	<u>\$ 529,493</u>	<u>\$ 6,112</u>

These excess expenditures were funded by excess revenues over budget.

**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 Township's deposits and investments may not be returned or the Township 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 Township maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Township deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 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.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

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 Township.

At year end, the Township's carrying amount of deposits was \$4,283,482 and the bank balance was \$4,284,634. The entire bank balance was covered by federal depository insurance and collateral held by financial institutions in the name of the Township.

A reconciliation of the carrying amount of deposits to the statement of net position and statement of fiduciary net position is as follows:

	Total
Carrying Amount of Deposits	\$ 4,283,482
Cash and Cash Equivalents	
Statement of net position	
Cash and temporary investments	\$ 3,754,115
Restricted cash and temporary investments	282,118
Statement of fiduciary net position	247,249
Total	\$ 4,283,482

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 1,126,500	\$ -	\$ -	\$ 1,126,500
Construction in progress	-	-	-	-
Total Capital Assets not being Depreciated	<u>1,126,500</u>	<u>-</u>	<u>-</u>	<u>1,126,500</u>
Capital Assets being Depreciated				
Buildings	84,113	-	-	84,113
Improvements other than buildings	239,028	256,468	-	495,496
Machinery and equipment	92,403	-	-	92,403
Infrastructure	14,081,961	-	-	14,081,961
Total Capital Assets being Depreciated	<u>14,497,505</u>	<u>256,468</u>	<u>-</u>	<u>14,753,973</u>
Less Accumulated Depreciation for				
Buildings	(60,484)	(1,801)	-	(62,285)
Improvements other than buildings	(119,055)	(11,617)	-	(130,672)
Machinery and equipment	(51,749)	(5,888)	-	(57,637)
Infrastructure	<u>(3,837,486)</u>	<u>(704,093)</u>	<u>-</u>	<u>(4,541,579)</u>
Total Accumulated Depreciation	<u>(4,068,774)</u>	<u>(723,399)</u>	<u>-</u>	<u>(4,792,173)</u>
Total Capital Assets being Depreciated, Net	<u>10,428,731</u>	<u>(466,931)</u>	<u>-</u>	<u>9,961,800</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,555,231</u>	<u>\$ (466,931)</u>	<u>\$ -</u>	<u>\$ 11,088,300</u>
<b>Business-Type Activities</b>				
Capital Assets being Depreciated				
Infrastructure	\$ 2,656,401	\$ 56,448	\$ -	\$ 2,712,849
Less Accumulated Depreciation				
Infrastructure	<u>(470,470)</u>	<u>(98,568)</u>	<u>-</u>	<u>(569,038)</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,185,931</u>	<u>\$ (42,120)</u>	<u>\$ -</u>	<u>\$ 2,143,811</u>

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

Depreciation expense was charged to functions/programs of the Township as follows:

**Governmental Activities**

General government	\$ 11,427
Public works	704,098
Culture and recreation	<u>7,874</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 723,399</u></u>

**Business-type Activities**

Sewer	<u><u>\$ 98,568</u></u>
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**C. Long-term Debt**

General Obligation Bonds

The Township issued general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds were issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Improvement Bond, Series 2009A	\$ 855,000	1.40 - 3.00 %	02/01/09	02/01/19	\$ 200,000
General Obligation Improvement Bond, Series 2012A	1,100,000	0.40 - 2.10	08/09/12	02/01/23	680,000
General Obligation Improvement Bond, Series 2015A	1,425,000	1.10 - 2.50	07/16/15	02/01/26	<u>1,280,000</u>
 Total General Obligation Bonds					 <u><u>\$ 2,160,000</u></u>

Annual requirement to maturity for general obligation bonds is as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 350,000	\$ 39,435	\$ 389,435
2019	355,000	33,488	388,488
2020	250,000	28,440	278,440
2021	255,000	24,258	279,258
2022	255,000	19,388	274,388
2023 - 2026	<u>695,000</u>	<u>30,196</u>	<u>725,196</u>
 Total	 <u><u>\$ 2,160,000</u></u>	 <u><u>\$ 175,205</u></u>	 <u><u>\$ 2,335,205</u></u>

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on all Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. improvement bonds	\$ 2,505,000	\$ -	\$ (345,000)	\$ 2,160,000	\$ 350,000
Pension Liability	73,076	-	(9,237)	63,839	-
	<u>73,076</u>	<u>-</u>	<u>(9,237)</u>	<u>63,839</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>\$ 2,578,076</u>	<u>\$ -</u>	<u>\$ (354,237)</u>	<u>\$ 2,223,839</u>	<u>\$ 350,000</u>

**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

The Township participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the Township are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**B. Benefits Provided**

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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.

**C. Contributions**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The Township was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The Township's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$4,584, \$4,478 and \$4,202, respectively. The Township's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension Costs**

GERF Pension Costs

At December 31, 2017, the Township reported a liability of \$63,839 for its proportionate share of the GERF's net pension liability. The Township's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Township totaled \$779. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on the Township's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Township's proportion was 0.0010 percent which was an increase of 0.0001 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Township recognized pension expense of \$6,291 for its proportionate share of GERF's pension expense. In addition, the Township recognized an additional \$60 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2017, the Township reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,121	\$ 4,120
Changes in Actuarial Assumptions	10,707	6,400
Net Difference between Projected and Actual Earnings on Plan Investments	-	2,908
Changes in Proportion	5,925	-
Contributions to GERF Subsequent to the Measurement Date	2,353	-
Total	\$ 21,106	\$ 13,428

Deferred outflows of resources totaling \$2,353 related to pensions resulting from the Township's contributions to GERF subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ 2,753
2019	5,040
2020	243
2021	(2,711)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the Township's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Township Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 99,020	\$ 63,839	\$ 35,038

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**Note 5: Defined Contribution Plan**

The Township has board members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP 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 5 percent of salary which is matched by the elected official's employer. 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 2 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,268	\$ 1,268	5.00%	5.00%	5.00%

The Township's contributions to the PEDCP for the years ended December 31, 2017, 2016 and 2015 were \$1,268, \$1,113 and \$864, respectively. The Township's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Credit River Township, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 6: Other Information**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Township carries insurance. The Township obtains insurance through participation in the Minnesota Association of Townships (MAT), which is a risk sharing pool with approximately 1,785 other governmental units. The Township pays an annual premium to MAT for its workers compensation and property and casualty insurance. The MAT 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 Township'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 Township's management is not aware of any incurred but not reported claims.

**B. Legal Debt Margin**

In accordance with Minnesota statutes, the Township may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the Township. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments. The Township has no outstanding debt subject to the limit.

**C. Joint Powers Agreements**

The Township entered into a joint powers agreement, effective September 17, 2007, with the City of Lakeville to improve and maintain Judicial Road. The project costs will be paid 50 percent by each party in accordance with the agreement. The Township paid \$1,712 related to the agreement in 2017. Each party will own the portion of the road within its government boundaries. This agreement will remain in effect until either party terminates with a one year written notice to the other party.

The Township entered into a joint powers agreement, effective April 2009, with the City of Savage, for the Township to have exclusive planning, zoning and subdivision authority for a piece of property in the northwestern corner of the Township currently owned by W.G. Pearson, Inc. with the purpose of regulating a mining permit. This agreement renews on the first of each subsequent year unless a party gives sixty days written notice prior to the anticipated date of termination or unless Credit River Township is incorporated or the subject property is annexed into a city, or is terminated by law.

The Township entered into a joint powers agreement, September 27, 2010, with the City of Savage to cooperate in long range planning and the potential provision of municipal sanitary sewer and water service from the City to the Township in the "Primary Study Area" and the "Secondary Study Area" as defined in the agreement. The term of the agreement is three years with an automatic renewal of three years unless either party gives 180 days written notice, or at any time upon mutual consent. The agreement calls for the City to perform its own individual planning and feasibility study for the extension of trunk sanitary sewer and water service to its border with the Township, and the Township to perform its own planning and feasibility study for the extensions of trunk and lateral sanitary sewer and water service within the "Primary Study Area." At such times the parties agree, the parties shall perform planning and feasibility studies for trunk and lateral sanitary sewer and water service within the "Secondary Study Area."

**D. Prior Period Adjustment**

The Township recorded \$85,466 as a prior period adjustment due to an error of double booking a payable in 2017. This adjustment adjusted restated the beginning balance on the government-wide statement by \$85,466 for governmental activities.

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REQUIRED SUPPLEMENTARY INFORMATION

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

Credit River Township, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

Required Supplementary Information							
Fiscal Year Ending	Township's Proportion of the Net Pension Liability	Township's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Township (b)	Total (a+b)	Township's Covered Payroll (c)	Township's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0010 %	\$ 63,839	\$ 779	\$ 64,618	\$ 60,947	104.7 %	75.9 %
06/30/16	0.0009	73,076	942	74,018	57,302	127.5	68.9
06/30/15	0.0009	46,643	-	46,643	54,409	85.7	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - General Employees Retirement Fund**

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Township's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/17	\$ 4,584	\$ 4,584	\$ -	\$ 61,120	7.5 %
12/31/16	4,478	4,478	-	59,707	7.5
12/31/15	4,202	4,202	-	56,031	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

Credit River Township, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

Credit River Township, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2017

	<u>420</u>	<u>202</u>	
	<u>Capital Projects</u>	<u>Special Revenue</u>	Total
	2015 Capital Road Projects	Park Fund	Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Assets			
Cash and temporary investments	\$ -	\$ 147,228	\$ 147,228
Fund Balances			
Restricted for			
Park improvements	\$ -	\$ 32,282	\$ 32,282
Assigned for			
Park improvements	<u>-</u>	<u>114,946</u>	<u>114,946</u>
Total Fund Balances	<u>\$ -</u>	<u>\$ 147,228</u>	<u>\$ 147,228</u>

Credit River Township, Minnesota  
 Nonmajor Governmental Funds  
 Combining Schedule of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2017

	<u>420</u>	<u>202</u>	
	<u>Capital Projects</u>	<u>Special Revenue</u>	Total
	2015 Capital Road Projects	Park Fund	Nonmajor Governmental Funds
Revenues			
Charges for services	\$ -	\$ 10,000	\$ 10,000
Expenditures			
Current			
Culture and recreation	-	779	779
Capital outlay			
Culture and recreation	-	1,314	1,314
Total Expenditures	<u>-</u>	<u>2,093</u>	<u>2,093</u>
Excess of Revenues over Expenditures	-	7,907	7,907
Other Financing Uses			
Transfers out	<u>(85,446)</u>	<u>-</u>	<u>(85,446)</u>
Net Change in Fund Balances	(85,446)	7,907	(77,539)
Fund Balances, January 1	-	139,321	139,321
Prior Period Adjustment	<u>85,446</u>	<u>-</u>	<u>85,446</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 147,228</u>	<u>\$ 147,228</u>

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Credit River Township, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Revenues</b>					
<b>Taxes</b>					
General property taxes	\$ 501,316	\$ 501,316	\$ 530,692	\$ 29,376	\$ 488,490
Franchise taxes	21,200	21,200	24,839	3,639	29,972
Total	<u>522,516</u>	<u>522,516</u>	<u>555,531</u>	<u>33,015</u>	<u>518,462</u>
Licenses and permits	<u>3,300</u>	<u>3,300</u>	<u>6,275</u>	<u>2,975</u>	<u>5,000</u>
<b>Intergovernmental</b>					
<b>State</b>					
Agricultural credit	-	-	754	754	825
Township aid	-	-	164	164	165
Other	-	-	-	-	27,739
Total	<u>-</u>	<u>-</u>	<u>918</u>	<u>918</u>	<u>28,729</u>
Charges for services					
General government	<u>10,375</u>	<u>10,375</u>	<u>13,899</u>	<u>3,524</u>	<u>16,246</u>
Investment earnings	<u>7,200</u>	<u>7,200</u>	<u>8,684</u>	<u>1,484</u>	<u>8,699</u>
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965</u>
Total Revenues	<u>543,391</u>	<u>543,391</u>	<u>586,956</u>	<u>43,565</u>	<u>578,101</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>General government</b>					
<b>Town Board</b>					
Personal services	65,350	65,350	71,018	(5,668)	63,988
Supplies	4,350	4,350	3,310	1,040	3,585
Other services and charges	28,860	28,860	29,275	(415)	28,081
Total	<u>98,560</u>	<u>98,560</u>	<u>103,603</u>	<u>(5,043)</u>	<u>95,654</u>
<b>Town Clerk</b>					
Personal services	26,925	26,925	23,871	3,054	22,993
Other services and charges	600	600	600	-	600
Total	<u>27,525</u>	<u>27,525</u>	<u>24,471</u>	<u>3,054</u>	<u>23,593</u>

Credit River Township, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Continued)  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
General government (continued)					
Town Treasurer					
Personal services	\$ 31,925	\$ 31,925	\$ 24,000	\$ 7,925	\$ 30,872
Other services and charges	600	600	600	-	670
Total	<u>32,525</u>	<u>32,525</u>	<u>24,600</u>	<u>7,925</u>	<u>31,542</u>
Elections					
Personal services	2,360	2,360	1,404	956	8,652
Supplies	175	175	242	(67)	450
Other services and charges	1,000	1,000	956	44	598
Total	<u>3,535</u>	<u>3,535</u>	<u>2,602</u>	<u>933</u>	<u>9,700</u>
Assessor					
Other services and charges	<u>46,000</u>	<u>46,000</u>	<u>45,386</u>	<u>614</u>	<u>44,046</u>
Legal					
Other services and charges	<u>19,000</u>	<u>19,000</u>	<u>40,740</u>	<u>(21,740)</u>	<u>12,438</u>
Incorporation costs					
Other services and charges	<u>-</u>	<u>-</u>	<u>24,267</u>	<u>(24,267)</u>	<u>-</u>
Planning					
Personal services	<u>120</u>	<u>120</u>	<u>-</u>	<u>120</u>	<u>60</u>
Town hall building					
Other services and charges	<u>13,100</u>	<u>13,100</u>	<u>12,303</u>	<u>797</u>	<u>11,544</u>
Total General Government	<u>240,365</u>	<u>240,365</u>	<u>277,972</u>	<u>(37,607)</u>	<u>228,577</u>
Public safety					
Fire					
Other services and charges	<u>184,766</u>	<u>184,766</u>	<u>184,947</u>	<u>(181)</u>	<u>196,659</u>
Public works					
Streets					
Personal services	525	525	-	525	309
Other services and charges	<u>84,750</u>	<u>84,750</u>	<u>55,924</u>	<u>28,826</u>	<u>59,528</u>
Total Public Works	<u>85,275</u>	<u>85,275</u>	<u>55,924</u>	<u>29,351</u>	<u>59,837</u>

Credit River Township, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Continued)  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Culture and recreation					
Parks					
Personal services	\$ 525	\$ 525	\$ -	\$ 525	\$ 265
Supplies	50	50	-	50	-
Other services and charges	11,400	11,400	10,650	750	10,120
Total Culture and Recreation	<u>11,975</u>	<u>11,975</u>	<u>10,650</u>	<u>1,325</u>	<u>10,385</u>
Total Current Expenditures	522,381	522,381	529,493	(7,112)	495,458
Capital outlay					
General government	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>384</u>
Total Expenditures	<u>523,381</u>	<u>523,381</u>	<u>529,493</u>	<u>(6,112)</u>	<u>495,842</u>
Net Change in Fund Balances	20,010	20,010	57,463	37,453	82,259
Fund Balances, January 1	<u>551,780</u>	<u>551,780</u>	<u>551,780</u>	<u>-</u>	<u>469,521</u>
Fund Balances, December 31	<u><u>\$ 571,790</u></u>	<u><u>\$ 571,790</u></u>	<u><u>\$ 609,243</u></u>	<u><u>\$ 37,453</u></u>	<u><u>\$ 551,780</u></u>

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Credit River Township, Minnesota  
Road and Bridge Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
General property taxes	\$ 385,000	\$ 385,000	\$ 383,529	\$ (1,471)	\$ 385,964
Intergovernmental					
State					
Agricultural credit	-	-	642	642	651
Local					
Other grants and aids	45,000	45,000	42,979	(2,021)	44,513
Total	45,000	45,000	43,621	(1,379)	45,164
Charges for services	-	-	-	-	1,000
Special assessments	3,065	3,065	5,161	2,096	3,207
Total Revenues	433,065	433,065	432,311	(754)	435,335
Expenditures					
Current					
Public works					
Personal services	3,050	3,050	4,190	(1,140)	2,772
Supplies	57,675	57,675	34,654	23,021	27,615
Other services and charges	471,436	471,436	285,447	185,989	275,334
Total Expenditures	532,161	532,161	324,291	207,870	305,721
Net Change in Fund Balances	(99,096)	(99,096)	108,020	207,116	129,614
Fund Balances, January 1	1,205,418	1,205,418	1,205,418	-	1,075,804
Fund Balances, December 31	\$ 1,106,322	\$ 1,106,322	\$ 1,313,438	\$ 207,116	\$ 1,205,418

Credit River Township, Minnesota  
Proprietary Funds  
Combining Schedules of Net Position  
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2017	2016
Assets		
Current Assets		
Cash and temporary investments	\$ 72,528	\$ 58,583
Receivables		
Accounts	208	456
Special assessments	-	-
Prepaid items	76	100
Total Current Assets	72,812	59,139
Noncurrent Assets		
Restricted cash and temporary investments	119,598	110,245
Special assessments	-	-
Capital assets		
Infrastructure	204,715	204,715
Less accumulated depreciation	(89,448)	(82,291)
Net Capital Assets	115,267	122,424
Total Noncurrent Assets	234,865	232,669
Total Assets	307,677	291,808
Liabilities		
Current Liabilities		
Accounts payable	8,655	4,938
Accrued salaries payable	103	161
Deposits payable	517	433
Total Liabilities	9,275	5,532
Net Position		
Investment in capital assets	115,267	122,424
Restricted for capital replacement and repair	119,598	110,245
Unrestricted	63,537	53,607
Total Net Position	\$ 298,402	\$ 286,276

Business-type Activities - Enterprise Funds

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2017	2016	2017	2016	2017	2016
\$ 117,527	\$ 93,460	\$ 117,905	\$ 70,509	\$ 307,960	\$ 222,552
2,251	2,194	505	390	2,964	3,040
4,862	5,138	-	-	4,862	5,138
205	327	50	74	331	501
<u>124,845</u>	<u>101,119</u>	<u>118,460</u>	<u>70,973</u>	<u>316,117</u>	<u>231,231</u>
136,968	120,843	25,552	45,288	282,118	276,376
-	-	22,400	-	22,400	-
2,145,286	2,145,286	362,848	306,400	2,712,849	2,656,401
(429,668)	(343,804)	(49,922)	(44,375)	(569,038)	(470,470)
<u>1,715,618</u>	<u>1,801,482</u>	<u>312,926</u>	<u>262,025</u>	<u>2,143,811</u>	<u>2,185,931</u>
<u>1,852,586</u>	<u>1,922,325</u>	<u>360,878</u>	<u>307,313</u>	<u>2,448,329</u>	<u>2,462,307</u>
<u>1,977,431</u>	<u>2,023,444</u>	<u>479,338</u>	<u>378,286</u>	<u>2,764,446</u>	<u>2,693,538</u>
23,492	12,028	62,601	3,753	94,748	20,719
278	433	67	105	448	699
184	610	480	285	1,181	1,328
<u>23,954</u>	<u>13,071</u>	<u>63,148</u>	<u>4,143</u>	<u>96,377</u>	<u>22,746</u>
1,715,618	1,801,482	312,926	262,025	2,143,811	2,185,931
136,968	120,843	25,552	45,288	282,118	276,376
<u>100,891</u>	<u>88,048</u>	<u>77,712</u>	<u>66,830</u>	<u>242,140</u>	<u>208,485</u>
<u>\$ 1,953,477</u>	<u>\$ 2,010,373</u>	<u>\$ 416,190</u>	<u>\$ 374,143</u>	<u>\$ 2,668,069</u>	<u>\$ 2,670,792</u>

Credit River Township, Minnesota  
Proprietary Funds  
Combining Schedules of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2017	2016
Operating Revenues		
Charges for services	\$ 63,128	\$ 62,195
Operating Expenses		
Personal services	1,731	1,143
Telephone and office expenses	977	1,479
Maintenance	25,487	25,617
Repairs	183	183
Professional services	3,568	3,259
Utilities	2,935	1,826
Other expense	9,277	4,832
Depreciation	7,157	7,193
Total Operating Expenses	51,315	45,532
Operating Income (Loss)	11,813	16,663
Nonoperating Revenues		
Investment earnings	313	289
Special assessments	-	-
Total Nonoperating Revenue	313	289
Change in Net Position	12,126	16,952
Net Position, January 1	286,276	269,324
Net Position, December 31	\$ 298,402	\$ 286,276

Business-type Activities - Enterprise Funds

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2017	2016	2017	2016	2017	2016
\$ 130,853	\$ 131,111	\$ 36,862	\$ 36,029	\$ 230,843	\$ 229,335
4,668	3,027	1,129	759	7,528	4,929
3,234	3,069	2,053	761	6,264	5,309
51,526	55,163	15,623	15,146	92,636	95,926
4,408	2,106	-	-	4,591	2,289
8,614	7,744	8,749	4,642	20,931	15,645
5,411	4,740	940	835	9,286	7,401
24,378	16,633	12,105	2,951	45,760	24,416
85,864	85,864	5,547	5,547	98,568	98,604
188,103	178,346	46,146	30,641	285,564	254,519
(57,250)	(47,235)	(9,284)	5,388	(54,721)	(25,184)
354	310	131	115	798	714
-	-	51,200	-	51,200	-
354	310	51,331	115	51,998	714
(56,896)	(46,925)	42,047	5,503	(2,723)	(24,470)
2,010,373	2,057,298	374,143	368,640	2,670,792	2,695,262
\$ 1,953,477	\$ 2,010,373	\$ 416,190	\$ 374,143	\$ 2,668,069	\$ 2,670,792

Credit River Township, Minnesota  
Proprietary Funds  
Combining Schedules of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2017	2016
Cash Flows from Operating Activities		
Receipts from customers	\$ 63,376	\$ 62,103
Payments to suppliers	(38,602)	(39,833)
Payments to employees	(1,789)	(1,054)
Net Cash Provided (Used) by Operating Activities	22,985	21,216
Cash Flows from Capital and Related Financing Activities		
Special assessments received	-	-
Cash Flows from Investing Activities		
Interest received on investments	313	289
Net Increase in Cash and Cash Equivalents	23,298	21,505
Cash and Cash Equivalents, January 1	168,828	147,323
Cash and Cash Equivalents, December 31	\$ 192,126	\$ 168,828
Cash and Cash Equivalents as Reported on the Statement of Net Position		
Cash and temporary investments	\$ 72,528	\$ 58,583
Restricted cash and temporary investments	119,598	110,245
Total Cash and Cash Equivalents	\$ 192,126	\$ 168,828
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 11,813	\$ 16,663
Adjustments to reconcile operating income (loss) to Net cash provided by operating activities		
Depreciation	7,157	7,193
(Increase) decrease in assets		
Accounts receivable	248	(92)
Special assessments receivable	-	-
Prepaid items	24	1
Increase (decrease) in liabilities		
Accounts payable	3,717	(2,551)
Accrued salaries payable	(58)	89
Deposits payable	84	(87)
Net Cash Provided by Operating Activities	\$ 22,985	\$ 21,216
Noncash Capital and Related Financing Activities		
Capital purchased on account	\$ -	\$ -

Business-type Activities - Enterprise Funds

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2017	2016	2017	2016	2017	2016
\$ 131,072	\$ 129,622	\$ 36,747	\$ 36,439	\$ 231,195	\$ 228,164
(86,411)	(92,208)	(36,851)	(25,187)	(161,864)	(157,228)
(4,823)	(3,321)	(1,167)	(701)	(7,779)	(5,076)
<u>39,838</u>	<u>34,093</u>	<u>(1,271)</u>	<u>10,551</u>	<u>61,552</u>	<u>65,860</u>
-	-	28,800	-	28,800	-
354	310	131	115	798	714
40,192	34,403	27,660	10,666	91,150	66,574
214,303	179,900	115,797	105,131	498,928	432,354
<u>\$ 254,495</u>	<u>\$ 214,303</u>	<u>\$ 143,457</u>	<u>\$ 115,797</u>	<u>\$ 590,078</u>	<u>\$ 498,928</u>
\$ 117,527	\$ 93,460	\$ 117,905	\$ 70,509	\$ 307,960	\$ 222,552
136,968	120,843	25,552	45,288	282,118	276,376
<u>\$ 254,495</u>	<u>\$ 214,303</u>	<u>\$ 143,457</u>	<u>\$ 115,797</u>	<u>\$ 590,078</u>	<u>\$ 498,928</u>
\$ (57,250)	\$ (47,235)	\$ (9,284)	\$ 5,388	\$ (54,721)	\$ (25,184)
85,864	85,864	5,547	5,547	98,568	98,604
(57)	186	(115)	410	76	504
276	(1,675)	-	-	276	(1,675)
122	1	24	-	170	2
11,464	(2,995)	2,400	(567)	17,581	(6,113)
(155)	(294)	(38)	58	(251)	(147)
(426)	241	195	(285)	(147)	(131)
<u>\$ 39,838</u>	<u>\$ 34,093</u>	<u>\$ (1,271)</u>	<u>\$ 10,551</u>	<u>\$ 61,552</u>	<u>\$ 65,860</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,448</u>	<u>\$ -</u>	<u>\$ 56,448</u>	<u>\$ -</u>

Credit River Township, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2017

	2009 G.O. Improvement Bond	2012 G.O. Improvement Bond	2015 G.O. Improvement Bond	Total
<b>Assets</b>				
Cash and temporary investments	\$ 136,035	\$ 272,645	\$ 465,872	\$ 874,552
Receivables				
Taxes	802	706	1,094	2,602
Special assessments	28,078	258,000	339,287	625,365
Due from other governments	-	-	643	643
Total Assets	<u>\$ 164,915</u>	<u>\$ 531,351</u>	<u>\$ 806,896</u>	<u>\$ 1,503,162</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes	\$ 191	\$ 168	\$ 260	\$ 619
Unavailable revenue - special assessments	28,078	258,000	338,983	625,061
Total Deferred Inflows of Resources	<u>28,269</u>	<u>258,168</u>	<u>339,243</u>	<u>625,680</u>
<b>Fund Balances</b>				
Restricted for debt service	<u>136,646</u>	<u>273,183</u>	<u>467,653</u>	<u>877,482</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 164,915</u>	<u>\$ 531,351</u>	<u>\$ 806,896</u>	<u>\$ 1,503,162</u>

Credit River Township, Minnesota  
Debt Service Funds  
Combining Schedules of Revenues, Expenditures  
and Changes on Fund Balances  
For the Year Ended December 31, 2017

	2009 G.O. Improvement Bond	2012 G.O. Improvement Bond	2015 G.O. Improvement Bond	Total
Revenues				
Property taxes	\$ 62,441	\$ 55,160	\$ 85,240	\$ 202,841
Intergovernmental	105	92	143	340
Special assessments	30,943	62,745	142,390	236,078
Total Revenues	<u>93,489</u>	<u>117,997</u>	<u>227,773</u>	<u>439,259</u>
Expenditures				
Debt service				
Principal	90,000	110,000	145,000	345,000
Interest and other charges	7,445	11,730	26,738	45,913
Total Expenditures	<u>97,445</u>	<u>121,730</u>	<u>171,738</u>	<u>390,913</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,956)	(3,733)	56,035	48,346
Other Financing Sources				
Transfer in	-	-	85,446	85,446
Net Change in Fund Balances	(3,956)	(3,733)	141,481	133,792
Fund Balances, January 1	<u>140,602</u>	<u>276,916</u>	<u>326,172</u>	<u>743,690</u>
Fund Balances, December 31	<u>\$ 136,646</u>	<u>\$ 273,183</u>	<u>\$ 467,653</u>	<u>\$ 877,482</u>

Credit River Township, Minnesota  
 Summary Financial Report  
 Revenues And Expenses For General Operations -  
 Governmental Funds  
 For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
<b>Revenues</b>			
Property taxes	\$ 1,425,799	\$ 1,341,181	6.31 %
Franchise taxes	24,839	29,972	(17.13)
Licenses and permits	6,275	5,000	25.50
Intergovernmental	45,396	74,682	(39.21)
Charges for services	23,899	25,746	(7.17)
Special assessments	442,894	504,229	(12.16)
Investment earnings	8,684	8,699	(0.17)
Miscellaneous	-	965	N/A
	<u>                    </u>	<u>                    </u>	
Total Revenues	<u>\$ 1,977,786</u>	<u>\$ 1,990,474</u>	(0.64) %
Per Capita	\$ 359	\$ 364	
<b>Expenditures</b>			
Current			
General government	\$ 277,972	\$ 228,577	21.61 %
Public safety	184,947	196,659	(5.96)
Public works	380,215	365,558	4.01
Culture and recreation	11,429	11,116	2.82
Capital outlay			
General government	-	384	N/A
Public works	411,041	944,416	(56.48)
Culture and recreation	1,314	7,771	(83.09)
Debt service			
Principal	345,000	195,000	76.92
Interest and other charges	45,913	50,960	(9.90)
	<u>                    </u>	<u>                    </u>	
Total Expenditures	<u>\$ 1,657,831</u>	<u>\$ 2,000,441</u>	(17.13) %
Per Capita	\$ 301	\$ 365	
Total Long-term Indebtedness	\$ 2,160,000	\$ 2,505,000	(13.77) %
Per Capita	392	458	(14.41)
General Fund Balance - December 31	\$ 609,243	\$ 551,780	10.41 %
Per Capita	110	101	8.91

The purpose of this report is to provide a summary of financial information concerning Credit River Township to interested parties. The complete financial statements may be examined at Credit River Town Hall, 18985 Meadow View Blvd Prior Lake, MN. Questions about this report should be directed to Dominique Hill, Treasurer, at treasurer@creditrivernm.gov.

OTHER REQUIRED REPORT  
CREDIT RIVER TOWNSHIP  
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

Board of Supervisors  
Credit River Township  
Scott County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of Credit River Township, Minnesota (the Township), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2018.

The *Minnesota Legal Compliance Audit Guide for Townships*, promulgated by the State Auditor pursuant to Minnesota statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the Township has not established a tax increment financing district.

In connection with our audit, nothing came to our attention that caused us to believe that the Township failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Townships*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Township's noncompliance with the above referenced provisions.

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

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
February 27, 2018