

Annual Financial Report

Credit River Township

Scott County, Minnesota

For the Year Ended

December 31, 2016

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CREDIT RIVER TOWNSHIP
SCOTT COUNTY, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CREDIT RIVER TOWNSHIP, MINNESOTA
 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CREDIT RIVER TOWNSHIP
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CREDIT RIVER TOWNSHIP, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Kostik	Chairman	03/31/19
Al Novak	Vice Chairman	03/31/17
Brent Lawrence	Supervisor	03/31/17
Leroy Schommer	Supervisor	03/31/18
Paul Howe	Supervisor	03/31/18

TOWNSHIP OFFICIALS - APPOINTED

<u>Name</u>	<u>Title</u>
Karen Donovan	Clerk
Sarah LeVoir*	Treasurer

* Sarah LeVoir resigned as of 12/31/2016.

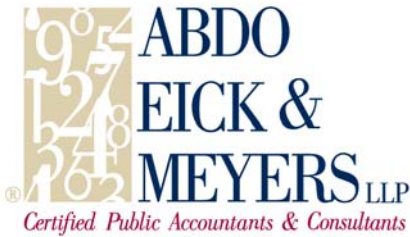
New Treasurer Dominique Hill effective 1/1/2017 started training as of November 19, 2016.

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FINANCIAL SECTION
CREDIT RIVER TOWNSHIP
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. The prior year comparative information has been derived from the Township's 2015 financial statements and, in our report dated February 26, 2016, we expressed unmodified opinions on the respective proprietary fund financial statements. 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, 2016, 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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Other Matters

Required Supplementary Information

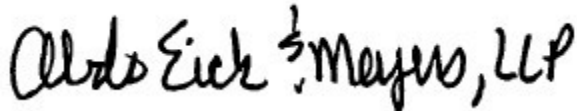
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Employer's Share of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 62 be presented to supplement 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 21, 2017

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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, 2016.

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 \$16,083,186 (net position). Of this amount, \$2,989,579 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$379,961. This is the result the increase of governmental activities, which offset the decrease in business-type activities.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,946,984, a decrease of \$9,967 in comparison with the prior year. Approximately 59.0 percent of this total amount, \$1,739,565, is available for spending at the Township's discretion , with \$1,190,265 being assigned for specific purposes.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$549,300, or 105.4 percent of 2017 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

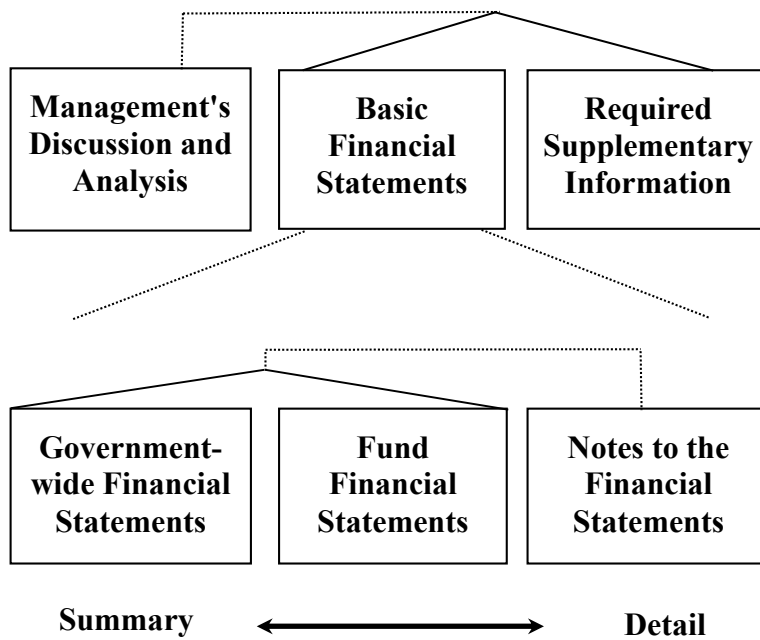


Figure 2 summarizes the major features of the Township’s financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows
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 the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* 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 25 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 nine 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, Capital Improvements, and the 2015 Capital Road Projects 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 30 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 40 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 43 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 45 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 64 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 \$16,083,186 at the close of the most recent fiscal year.

By far, the largest portion of the Township's net position (69.9 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* (\$2,989,579) 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Assets						
Current and other assets	\$ 4,723,800	\$ 4,620,504	\$ 103,296	\$ 507,607	\$ 439,864	\$ 67,743
Capital assets (net of depreciation)	11,555,231	11,343,628	211,603	2,185,931	2,284,535	(98,604)
Total assets	16,279,031	15,964,132	314,899	2,693,538	2,724,399	(30,861)
Deferred outflows of resources						
Deferred pension resources	29,180	9,555	19,625	-	-	-
Liabilities						
Current and other liabilities	311,804	212,577	99,227	22,746	29,137	(6,391)
Noncurrent	2,578,076	2,746,643	(168,567)	-	-	-
Total liabilities	2,889,880	2,959,220	(69,340)	22,746	29,137	(6,391)
Deferred inflows of resources						
Deferred pension resources	5,937	6,504	(567)	-	-	-
Net position						
Net investment in capital assets	9,050,231	8,770,893	279,338	2,185,931	2,284,535	(98,604)
Restricted for						
Park improvements	24,373	24,375	(2)	-	-	-
Capital replacement and repair	-	-	-	276,376	247,696	28,680
Debt service	1,556,696	1,556,545	151	-	-	-
Unrestricted	2,781,094	2,656,150	124,944	208,485	163,031	45,454
Total net position	\$13,412,394	\$13,007,963	\$ 404,431	\$ 2,670,792	\$ 2,695,262	\$ (24,470)

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 increased the Township’s net position by \$404,431, thereby accounting the entire increase in the net position of the Township.

Credit River Township’s Changes in Net Position

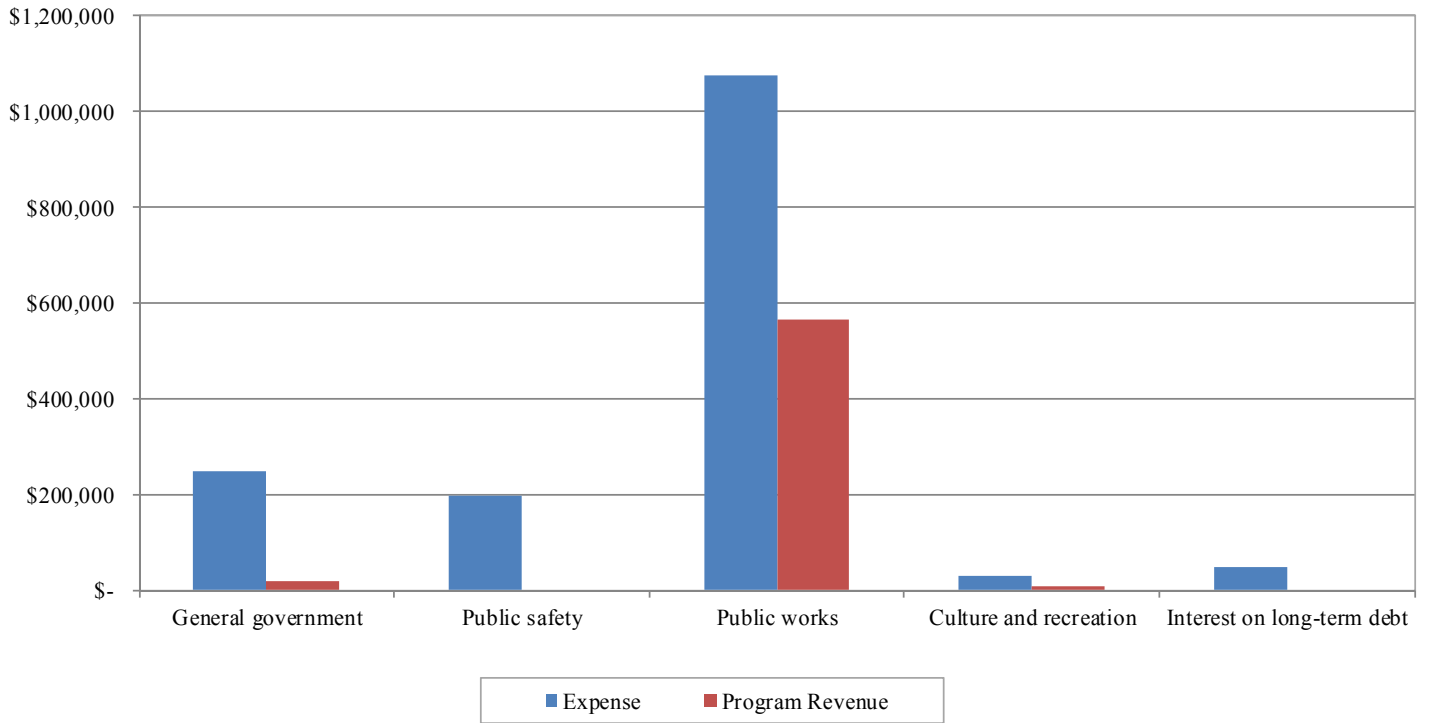
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Program revenues						
Charges for services	\$ 29,579	\$ 46,918	\$ (17,339)	\$ 229,335	\$ 205,635	\$ 23,700
Operating grants and contribution	43,105	37,080	6,025	-	-	-
Capital grants and contributions	519,325	836,503	(317,178)	-	-	-
General revenues						
Taxes						
Property taxes, levied for general purposes	1,337,807	1,278,560	59,247	-	-	-
Franchise taxes	29,972	21,082	8,890	-	-	-
State grants and contributions not restricted to specific programs	31,434	2,561	28,873	-	-	-
Unrestricted investment earnings	8,699	7,536	1,163	714	636	78
Miscellaneous	2,275	-	2,275	-	-	-
Total revenues	2,002,196	2,230,240	(228,044)	230,049	206,271	23,778
Expenses						
General government	247,078	274,651	(27,573)	-	-	-
Public safety	196,659	175,968	20,691	-	-	-
Public works	1,077,573	1,105,357	(27,784)	-	-	-
Culture and recreation	27,809	20,322	7,487	-	-	-
Interest on long-term debt	48,646	58,881	(10,235)	-	-	-
Sewer	-	-	-	254,519	246,751	7,768
Total expenses	1,597,765	1,635,179	(37,414)	254,519	246,751	7,768
Change in net position	404,431	595,061	(190,630)	(24,470)	(40,480)	16,010
Net position, January 1	13,007,963	12,412,902	595,061	2,695,262	2,735,742	(40,480)
Net position, December 31	<u>\$13,412,394</u>	<u>\$13,007,963</u>	<u>\$ 404,431</u>	<u>\$ 2,670,792</u>	<u>\$ 2,695,262</u>	<u>\$ (24,470)</u>

The Township’s total net position increased \$379,961 during the year. Key highlights to the overall increase can be explained by the following:

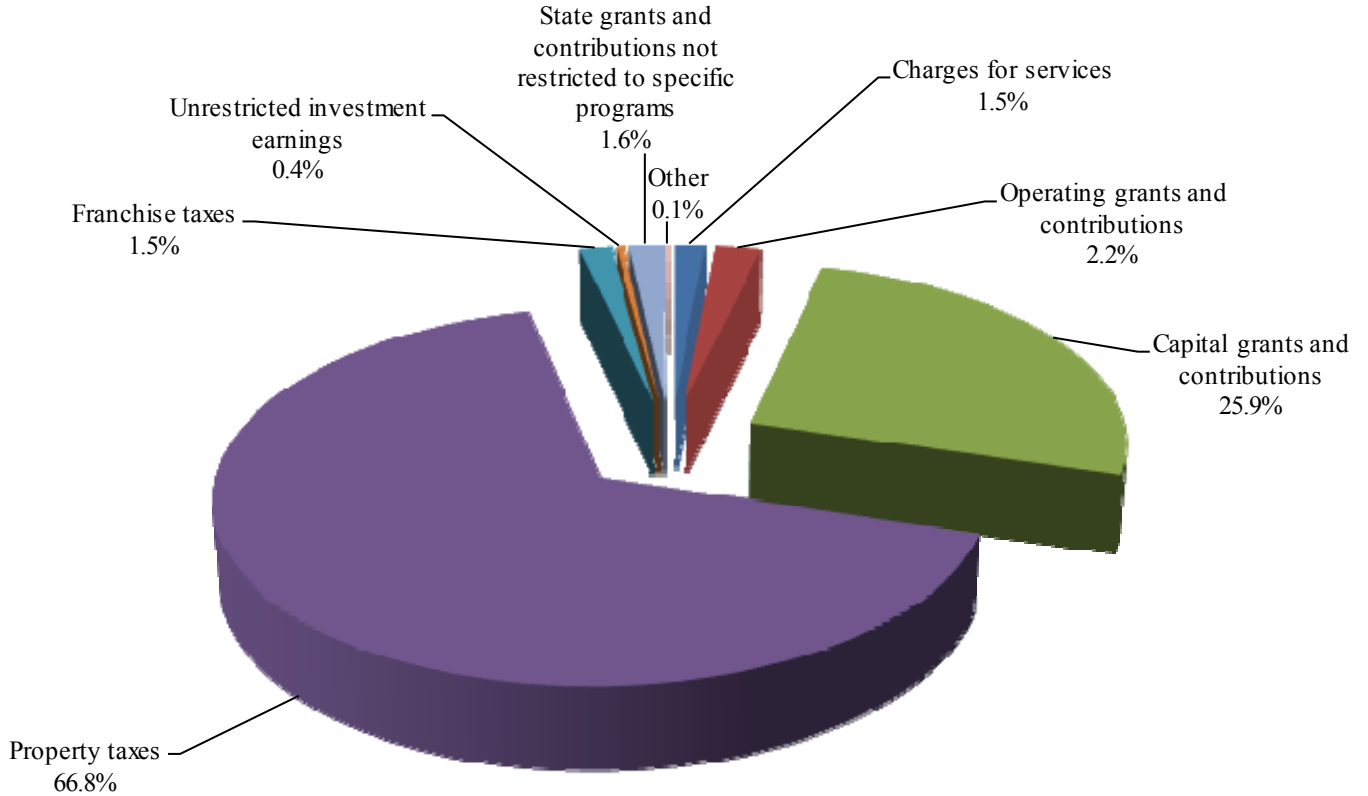
- Capital grants and contributions decreased \$317,178 primarily due to less special assessments revenue.
- Expenses in public works decreased by \$27,784 which was mostly due to road and street projects as well as road plowing expenditures decreasing.
- Property taxes represent 66.8 percent of total governmental revenue in 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 \$2,946,984, a decrease of \$9,967 in comparison with the prior year. Approximately 18.6 percent of this total amount, \$549,300, constitutes *unassigned fund balance*, which is available for spending at the Township's discretion. The remainder of fund balance is either: 1) Nonspendable (\$2,480), 2) Restricted (\$768,063), 3) Committed (\$436,876) or 4) Assigned (\$1,190,265).

The following outlines all major funds:

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2016	2015	
General	\$ 551,780	\$ 469,521	\$ 82,259
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 \$551,780, a increase of \$82,259 from 2015. 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 111 percent of same year fund expenditures. Increase in fund balance partially due to approximately \$27,000 of revenue from other governments for shared costs.			
Road and Bridge	\$ 1,205,418	\$ 1,075,804	\$ 129,614
The Road and Bridge fund balance increased \$135,449 during the year. The reason for the change in fund balance was due to a positive budget variance in fund expenditures of \$203,899. This variance mainly relates to less than expected road patching and plowing.			
Debt Service	\$ 743,690	\$ 559,458	\$ 184,232
The Debt Service fund balance is restricted for future debt payments. The increase in fund balance of \$184,232 is due to prepayments of special assessments assessed on properties.			
Capital Improvements	\$ 306,775	\$ 533,160	\$ (226,385)
The fund balance in the Capital Improvement fund is assigned for future capital purchases. The decrease in the fund balance of \$226,385 is due to capital purchases following their capital improvement plan for capital purchases and funding for the future.			
2015 Capital Road Projects	\$ -	\$ 179,685	\$ (179,685)
The fund was created in 2015 to account for a number of new road projects completed in the Township. Remaining project costs were paid out in 2016.			

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 \$208,485. The total decrease in net position for the sewer fund was \$24,470, 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 \$80,203.

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

- Total expenditures had a positive budget variance of \$31,724 under budget. The main reason for the variance was public works expenditures being under budget \$15,663 mainly due to repair and maintenance costs not as much as expected and general government expenditures being under budget by \$12,214 primarily due to legal costs coming in under budget.
- Significant revenue variances were in intergovernmental revenues and franchise taxes which had positive budget variances of \$28,729 and \$10,072, respectively.

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 \$77,578. Actual results show a positive budget variance of \$207,192. The largest budget variance was in expenditures for public works with a positive budget variance of \$198,064, 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, 2016, amounts to \$13,741,162 (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 53 of this report.

Credit River Township's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 1,126,500	\$ 1,126,500	\$ -	\$ -	\$ -	\$ -
Construction work in progress	-	1,644,317	(1,644,317)	-	-	-
Buildings	23,629	25,430	(1,801)	-	-	-
Improvements other than building	119,973	131,590	(11,617)	-	-	-
Machinery and equipment	40,654	46,987	(6,333)	-	-	-
Infrastructure	10,244,475	8,368,804	1,875,671	2,185,931	2,284,535	(98,604)
Total	\$11,555,231	\$11,343,628	\$ 211,603	\$ 2,185,931	\$ 2,284,535	\$ (98,604)

Long-term debt. At the end of the current fiscal year, the Township had total bonded debt outstanding of \$2,505,000. Total bonded debt decreased \$195,000 due to scheduled principal payments made during the year.

Credit River Township's Outstanding Debt

	Governmental Activities		
	2016	2015	Increase (Decrease)
Bonds payable	\$ 2,505,000	\$ 2,700,000	\$ (195,000)
Pension payable	73,076	46,643	26,433
 Total	 \$ 2,578,076	 \$ 2,746,643	 \$ (168,567)

Economic Factors and Next Year's Budgets and Rates

- The General fund expenditure budget for 2017 decreased by approximately \$4,000 from the 2016 expenditure budget. This decline can be attributed to election expenses.
- The Road and Bridge fund expenditure budget for 2017 increased by approximately \$28,000 from the 2016 expenditure budget. This is mainly due to an increase in road repair 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 2017 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, 2016

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CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 3,219,948	\$ 222,552	\$ 3,442,500
Restricted cash and temporary investments	-	276,376	276,376
Receivables			
Taxes	20,734	-	20,734
Accounts	6,125	3,040	9,165
Special assessments	1,473,827	5,138	1,478,965
Due from other governments	686	-	686
Prepaid items	2,480	501	2,981
Capital assets			
Land and construction in progress	1,126,500	-	1,126,500
Depreciable assets (net of accumulated depreciation)	10,428,731	2,185,931	12,614,662
TOTAL ASSETS	16,279,031	2,693,538	18,972,569
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	29,180	-	29,180
LIABILITIES			
Accounts payable	275,989	20,719	296,708
Accrued salaries payable	10,842	699	11,541
Deposits payable	-	1,328	1,328
Accrued interest payable	19,639	-	19,639
Due to other governments	5,334	-	5,334
Unearned revenue	-	-	-
Noncurrent liabilities			
Due within one year	345,000	-	345,000
Due in more than one year	2,233,076	-	2,233,076
TOTAL LIABILITIES	2,889,880	22,746	2,912,626
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	5,937	-	5,937
NET POSITION			
Net investment in capital assets	9,050,231	2,185,931	11,236,162
Restricted for			
Capital replacement and repair	-	276,376	276,376
Park improvement	24,373	-	24,373
Debt service	1,556,696	-	1,556,696
Unrestricted	2,781,094	208,485	2,989,579
TOTAL NET POSITION	\$ 13,412,394	\$ 2,670,792	\$ 16,083,186

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 247,078	\$ 18,154	\$ -	\$ -
Public safety	196,659	-	-	-
Public works	1,077,573	2,925	43,105	519,325
Culture and recreation	27,809	8,500	-	-
Interest on long-term debt	48,646	-	-	-
Total governmental activities	1,597,765	29,579	43,105	519,325
Business-type activities				
Sewer	254,519	229,335	-	-
Total	<u>\$ 1,852,284</u>	<u>\$ 258,914</u>	<u>\$ 43,105</u>	<u>\$ 519,325</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

Miscellaneous

Total general revenues

Change in net position

Net position, 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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (228,924)	\$ -	\$ (228,924)
(196,659)	-	(196,659)
(512,218)	-	(512,218)
(19,309)	-	(19,309)
(48,646)	-	(48,646)
<u>(1,005,756)</u>	<u>-</u>	<u>(1,005,756)</u>
-	(25,184)	(25,184)
<u>(1,005,756)</u>	<u>(25,184)</u>	<u>(1,030,940)</u>
1,141,337	-	1,141,337
196,470	-	196,470
29,972	-	29,972
31,434	-	31,434
8,699	714	9,413
2,275	-	2,275
<u>1,410,187</u>	<u>714</u>	<u>1,410,901</u>
404,431	(24,470)	379,961
<u>13,007,963</u>	<u>2,695,262</u>	<u>15,703,225</u>
<u>\$ 13,412,394</u>	<u>\$ 2,670,792</u>	<u>\$ 16,083,186</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, 2016

CREDIT RIVER TOWNSHIP, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	100	201, 203, 204, 205	300's
	General	Road and Bridge	Debt Service
ASSETS			
Cash and temporary investments	\$ 561,599	\$ 1,230,938	\$ 741,525
Receivables			
Taxes	7,428	6,240	2,690
Accounts	6,125	-	-
Special assessments	1,534	28,596	831,434
Due from other governments	-	-	686
Prepaid items	2,480	-	-
	<u>579,166</u>	<u>1,265,774</u>	<u>1,576,335</u>
TOTAL ASSETS	\$ 579,166	\$ 1,265,774	\$ 1,576,335
LIABILITIES			
Accounts payable	\$ 11,425	\$ 22,871	\$ -
Accrued salaries payable	10,592	150	-
Due to other governments	-	5,334	-
	<u>22,017</u>	<u>28,355</u>	<u>-</u>
TOTAL LIABILITIES	22,017	28,355	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	3,835	3,405	1,240
Unavailable revenue - special assessments	1,534	28,596	831,405
	<u>5,369</u>	<u>32,001</u>	<u>832,645</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	5,369	32,001	832,645
FUND BALANCES			
Nonspendable			
Prepaid items	2,480	-	-
Restricted for			
Park improvements	-	-	-
Debt service	-	-	743,690
Committed for			
Road and bridge improvement	-	436,876	-
Assigned for			
Park improvements	-	-	-
Road projects	-	768,542	-
Unassigned	549,300	-	-
	<u>551,780</u>	<u>1,205,418</u>	<u>743,690</u>
TOTAL FUND BALANCES	551,780	1,205,418	743,690
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 579,166	\$ 1,265,774	\$ 1,576,335

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

401	420	202	Total
Capital Improvements	2015 Capital Road Projects	Nonmajor Special Revenue Park	Governmental Funds
\$ 363,837	\$ 182,570	\$ 139,479	\$ 3,219,948
4,376	-	-	20,734
-	-	-	6,125
612,263	-	-	1,473,827
-	-	-	686
-	-	-	2,480
<u>\$ 980,476</u>	<u>\$ 182,570</u>	<u>\$ 139,479</u>	<u>\$ 4,723,800</u>
\$ 58,965	\$ 182,570	\$ 158	\$ 275,989
100	-	-	10,842
-	-	-	5,334
<u>59,065</u>	<u>182,570</u>	<u>158</u>	<u>292,165</u>
2,388	-	-	10,868
612,248	-	-	1,473,783
<u>614,636</u>	<u>-</u>	<u>-</u>	<u>1,484,651</u>
-	-	-	2,480
-	-	24,373	24,373
-	-	-	743,690
-	-	-	436,876
-	-	114,948	114,948
306,775	-	-	1,075,317
-	-	-	549,300
<u>306,775</u>	<u>-</u>	<u>139,321</u>	<u>2,946,984</u>
<u>\$ 980,476</u>	<u>\$ 182,570</u>	<u>\$ 139,479</u>	<u>\$ 4,723,800</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, 2016

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

Total fund balances - governmental	\$ 2,946,984
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	15,624,005
Less: accumulated depreciation	(4,068,774)
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	(2,505,000)
Pension liability	(73,076)
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	10,868
Special assessments receivable	1,473,783
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	29,180
Deferred inflows of pension resources	(5,937)
Governmental funds do not report a liability for accrued interest until due and payable.	(19,639)
Total net position - governmental activities	\$ 13,412,394

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, 2016

	100	201, 203, 204, 205	300's
	General	Road and Bridge	Debt Service
REVENUES			
Property taxes	\$ 488,490	\$ 385,964	\$ 196,470
Franchise taxes	29,972	-	-
Licenses and permits	5,000	-	-
Intergovernmental	28,729	45,164	333
Charges for services	16,246	1,000	-
Special assessments	-	3,207	233,389
Investment earnings	8,699	-	-
Miscellaneous	965	-	-
TOTAL REVENUES	578,101	435,335	430,192
EXPENDITURES			
Current			
General government	228,577	-	-
Public safety	196,659	-	-
Public works	59,837	305,721	-
Culture and recreation	10,385	-	-
Capital outlay			
General government	384	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal	-	-	195,000
Interest and other charges	-	-	50,960
TOTAL EXPENDITURES	495,842	305,721	245,960
NET CHANGE IN FUND BALANCES	82,259	129,614	184,232
FUND BALANCES, JANUARY 1	469,521	1,075,804	559,458
FUND BALANCES, DECEMBER 31	\$ 551,780	\$ 1,205,418	\$ 743,690

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

401	420	202	Total
<u>Capital Improvements</u>	<u>2015 Capital Road Projects</u>	<u>Nonmajor Special Revenue Park</u>	<u>Governmental Funds</u>
\$ 270,257	\$ -	\$ -	\$ 1,341,181
-	-	-	29,972
-	-	-	5,000
456	-	-	74,682
-	-	8,500	25,746
267,633	-	-	504,229
-	-	-	8,699
-	-	-	965
<u>538,346</u>	<u>-</u>	<u>8,500</u>	<u>1,990,474</u>
-	-	-	228,577
-	-	-	196,659
-	-	-	365,558
-	-	731	11,116
-	-	-	384
764,731	179,685	-	944,416
-	-	7,771	7,771
-	-	-	195,000
-	-	-	50,960
<u>764,731</u>	<u>179,685</u>	<u>8,502</u>	<u>2,000,441</u>
(226,385)	(179,685)	(2)	(9,967)
<u>533,160</u>	<u>179,685</u>	<u>139,323</u>	<u>2,956,951</u>
<u>\$ 306,775</u>	<u>\$ -</u>	<u>\$ 139,321</u>	<u>\$ 2,946,984</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, 2016

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

Total net change in fund balances - governmental funds	\$ (9,967)
<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	816,467
Depreciation expense	(604,864)
<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	195,000
<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>	
	2,314
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(6,241)
<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	15,096
Property taxes	(3,374)
	404,431
Change in net position - governmental activities	\$ 404,431

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, 2016

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 488,022	\$ 488,022	\$ 488,490	\$ 468
Franchise taxes	19,900	19,900	29,972	10,072
Licenses and permits	3,750	3,750	5,000	1,250
Intergovernmental	-	-	28,729	28,729
Charges for services	11,350	11,350	16,246	4,896
Special assessments	-	-	-	-
Investment earnings	6,600	6,600	8,699	2,099
Miscellaneous	-	-	965	965
TOTAL REVENUES	<u>529,622</u>	<u>529,622</u>	<u>578,101</u>	<u>48,479</u>
EXPENDITURES				
Current				
General government	240,791	240,791	228,577	12,214
Public safety	197,500	197,500	196,659	841
Public works	75,500	75,500	59,837	15,663
Culture and recreation	10,075	10,075	10,385	(310)
Capital outlay	3,700	3,700	384	3,316
TOTAL EXPENDITURES	<u>527,566</u>	<u>527,566</u>	<u>495,842</u>	<u>31,724</u>
NET CHANGE IN FUND BALANCES	2,056	2,056	82,259	80,203
FUND BALANCES, JANUARY 1	<u>469,521</u>	<u>469,521</u>	<u>469,521</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 471,577</u>	<u>\$ 471,577</u>	<u>\$ 551,780</u>	<u>\$ 80,203</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	\$ 385,964	\$ 964
-	-	-	-
-	-	-	-
38,000	38,000	45,164	7,164
-	-	1,000	1,000
3,207	3,207	3,207	-
-	-	-	-
-	-	-	-
<u>426,207</u>	<u>426,207</u>	<u>435,335</u>	<u>9,128</u>
-	-	-	-
-	-	-	-
503,785	503,785	305,721	198,064
-	-	-	-
-	-	-	-
<u>503,785</u>	<u>503,785</u>	<u>305,721</u>	<u>198,064</u>
(77,578)	(77,578)	129,614	207,192
<u>1,075,804</u>	<u>1,075,804</u>	<u>1,075,804</u>	<u>-</u>
<u>\$ 998,226</u>	<u>\$ 998,226</u>	<u>\$ 1,205,418</u>	<u>\$ 207,192</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, 2016 AND 2015

	Business-type Activities - Enterprise Funds	
	Sewer	Subordinate Service Districts
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 222,552	\$ 184,658
Receivables		
Accounts	3,040	3,544
Special assessments	5,138	3,463
Prepaid items	501	503
	231,231	192,168
NONCURRENT ASSETS		
Restricted cash and temporary investments	276,376	247,696
Capital assets		
Infrastructure	2,656,401	2,656,401
Less accumulated depreciation	(470,470)	(371,866)
	2,185,931	2,284,535
	2,462,307	2,532,231
	2,693,538	2,724,399
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	20,719	26,832
Accrued salaries payable	699	846
Deposits payable	1,328	1,459
	22,746	29,137
NET POSITION		
Investment in capital assets	2,185,931	2,284,535
Restricted for capital replacement and repair	276,376	247,696
Unrestricted	208,485	163,031
	\$ 2,670,792	\$ 2,695,262

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, 2016 AND 2015

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate	Service Districts
	2016	2015
OPERATING REVENUES		
Charges for services	\$ 229,335	\$ 205,635
OPERATING EXPENSES		
Personal services	4,929	5,190
Telephone and office expenses	5,309	5,606
Maintenance	95,926	82,586
Repairs	2,289	183
Professional services	15,645	17,397
Utilities	7,401	7,310
Other expense	24,416	29,949
Depreciation	98,604	98,530
TOTAL OPERATING EXPENSES	254,519	246,751
OPERATING LOSS	(25,184)	(41,116)
NONOPERATING REVENUES		
Investment earnings	714	636
CHANGE IN NET POSITION	(24,470)	(40,480)
NET POSITION, JANUARY 1	2,695,262	2,735,742
NET POSITION, DECEMBER 31	\$ 2,670,792	\$ 2,695,262

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, 2016 AND 2015

	Business-type Activities - Enterprise Funds	
	Sewer Subordinate	Service Districts
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 228,164	\$ 203,406
Payments to suppliers	(157,228)	(153,423)
Payments to employees	(5,076)	(4,819)
	<u>65,860</u>	<u>45,164</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES		
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(1,114)
	<u>-</u>	<u>(1,114)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	714	636
	<u>714</u>	<u>636</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>66,574</u>	<u>44,686</u>
 CASH AND CASH EQUIVALENTS, JANUARY 1	<u>432,354</u>	<u>387,668</u>
 CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 498,928</u></u>	<u><u>\$ 432,354</u></u>
 CASH AND CASH EQUIVALENTS AS REPORTED ON THE STATEMENT OF NET POSITION		
Cash and temporary investments	\$ 222,552	\$ 184,658
Restricted cash and temporary investments	276,376	247,696
	<u>498,928</u>	<u>432,354</u>
 TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 498,928</u></u>	<u><u>\$ 432,354</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (25,184)	\$ (41,116)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	98,604	98,530
Increase (decrease) in assets		
Accounts receivable	504	(246)
Special assessments receivable	(1,675)	(1,983)
Prepaid items	2	-
Increase (decrease) in liabilities		
Accounts payable	(6,113)	(10,463)
Accrued salaries payable	(147)	371
Deposits payable	(131)	71
	<u>(131)</u>	<u>71</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 65,860</u></u>	<u><u>\$ 45,164</u></u>

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, 2016

	<u>Agency</u> <u>Escrow</u>
ASSETS	
Cash and temporary investments	<u>\$ 195,333</u>
LIABILITIES	
Deposits payable	<u>\$ 195,333</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, 2016

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, 2016

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 *2015 Capital Road Projects fund* accounts for the capital cost related to road projects started in 2015 and completed in 2016.

Additionally, the Township reports the following fund types:

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

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, 2016

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, 2016

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 governmental 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.

Pursuant to GASB 34, paragraph 148, the Township chose not to report general infrastructure asset retrospectively. General infrastructure assets consist of those constructed or accepted since January 1, 2004. As the Township constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Township values these capital assets at the estimated fair value of the item at the date of its donation.

CREDIT RIVER TOWNSHIP, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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.

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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 2016.

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.

CREDIT RIVER TOWNSHIP, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

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 \$3,914,209 and the bank balance was \$3,912,728. 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	\$3,914,209
Cash and cash equivalents	
Statement of net position	
Cash and temporary investments	\$3,442,500
Restricted cash and temporary investments	276,376
Statement of fiduciary net position	195,333
Total	\$3,914,209

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,126,500	\$ -	\$ -	\$ 1,126,500
Construction in progress	1,644,317	816,467	(2,460,784)	-
 Total capital assets not being depreciated	 2,770,817	 816,467	 (2,460,784)	 1,126,500
Capital assets being depreciated				
Buildings	84,113	-	-	84,113
Improvements other than buildings	239,028	-	-	239,028
Machinery and equipment	92,403	-	-	92,403
Infrastructure	11,621,177	2,460,784	-	14,081,961
 Total capital assets being depreciated	 12,036,721	 2,460,784	 -	 14,497,505
Less accumulated depreciation for				
Buildings	(58,683)	(1,801)	-	(60,484)
Improvements other than buildings	(107,438)	(11,617)	-	(119,055)
Machinery and equipment	(45,416)	(6,333)	-	(51,749)
Infrastructure	(3,252,373)	(585,113)	-	(3,837,486)
 Total accumulated depreciation	 (3,463,910)	 (604,864)	 -	 (4,068,774)
 Total capital assets being depreciated, net	 8,572,811	 1,855,920	 -	 10,428,731
 Governmental activities capital assets, net	 <u>\$ 11,343,628</u>	 <u>\$ 2,672,387</u>	 <u>\$ (2,460,784)</u>	 <u>\$ 11,555,231</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Infrastructure	\$ 2,656,401	\$ -	\$ -	\$ 2,656,401
Less accumulated depreciation for				
Infrastructure	(371,866)	(98,604)	-	\$ (470,470)
Business-type activities capital assets, net	\$ 2,284,535	\$ (98,604)	\$ -	\$ 2,185,931

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

Governmental activities		
General government		\$ 11,876
Public works		584,066
Culture and recreation		8,922
Total depreciation expense - governmental activities		\$ 604,864
Business-type activities		
Sewer		\$ 98,604

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	\$ 290,000
General Obligation Improvement Bond, Series 2012A	1,100,000	0.40 - 2.10	08/09/12	02/01/23	790,000
General Obligation Improvement Bond, Series 2015A	1,425,000	1.10 - 2.50	07/16/15	02/01/26	1,425,000
Total General Obligation Bonds					\$ 2,505,000

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 345,000	\$ 44,638	\$ 389,638
2018	350,000	39,435	389,435
2019	355,000	33,487	388,487
2020	250,000	28,440	278,440
2021	255,000	24,258	279,258
2022 - 2026	950,000	49,585	999,585
Total	<u>\$ 2,505,000</u>	<u>\$ 219,843</u>	<u>\$ 2,724,843</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
G.O. improvement bonds	\$ 2,700,000	\$ -	\$ (195,000)	\$ 2,505,000	\$ 345,000
Pension liability	46,643	30,730	(4,297)	73,076	-
Governmental activity long-term liabilities	<u>\$ 2,746,643</u>	<u>\$ 30,730</u>	<u>\$ (199,297)</u>	<u>\$ 2,578,076</u>	<u>\$ 345,000</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

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 2016. 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 2016. The Township's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$4,478, \$4,202, and \$3,661 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, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

D. Pension costs

GERF pension costs

At December 31, 2016, the Township reported a liability of \$73,076 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Township's proportion was 0.0009 percent.

For the year ended December 31, 2016, the Township recognized pension expense of \$6,241 for its proportionate share of GERF's pension expense.

At December 31, 2016, 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	\$ 193	\$ 5,937
Changes in actuarial assumptions	15,785	-
Net difference between projected and actual earnings on plan investments	8,158	-
Changes in proportion	2,704	-
Contributions to GERF subsequent to the measurement date	2,340	-
Total	\$ 29,180	\$ 5,937

Deferred outflows of resources totaling \$2,340 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 6,438
2018	4,770
2019	7,057
2020	2,638

CREDIT RIVER TOWNSHIP, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

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 males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1 percent per year for all future years for the GERF.

Actuarial assumptions used in the June 30, 2016 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 following changes in actuarial assumptions occurred in 2016:

GERF

- 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u>100.00 %</u>	

CREDIT RIVER TOWNSHIP, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

F. Discount rate

The discount rate used to measure the total pension liability was 7.5 percent, a reduction from the 7.9 percent used in 2015. 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	\$ 103,789	\$ 73,076

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.

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	
\$ 539	\$ 539	5.00%	5.00%	5.00%

The Township's contributions to the PEDCP for the years ended December 31, 2016, 2015 and 2014 were \$539, \$863, and \$960, 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, 2016

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 \$2,045 related to the agreement in 2016. 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."

REQUIRED SUPPLEMENTARY INFORMATION

CREDIT RIVER TOWNSHIP
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CREDIT RIVER TOWNSHIP, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016

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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.00090 %	\$ 73,076	\$ -	\$ 73,076	\$ 59,707	122.4 %	68.9 %
06/30/15	0.00092	46,643	-	46,643	56,027	83.3	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)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Township's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 4,478	\$ 4,478	\$ -	\$ 59,707	7.50 %
12/31/15	4,202	4,202	-	56,027	7.50

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CREDIT RIVER TOWNSHIP
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
General property taxes	\$ 488,022	\$ 488,022	\$ 488,490	\$ 468	\$ 456,001
Franchise taxes	19,900	19,900	29,972	10,072	21,082
Total	507,922	507,922	518,462	10,540	477,083
Licenses and permits	3,750	3,750	5,000	1,250	6,100
Intergovernmental					
State					
Agricultural credit	-	-	825	825	836
Township aid	-	-	165	165	158
Other	-	-	27,739	27,739	-
Total	-	-	28,729	28,729	994
Charges for services					
General government	11,350	11,350	16,246	4,896	21,798
Investment earnings	6,600	6,600	8,699	2,099	7,536
Miscellaneous	-	-	965	965	-
TOTAL REVENUES	529,622	529,622	578,101	48,479	513,511
EXPENDITURES					
Current					
General government					
Town Board					
Personal services	65,250	65,250	63,988	1,262	61,823
Supplies	4,250	4,250	3,585	665	4,264
Other services and charges	29,710	29,710	28,081	1,629	27,784
Total	99,210	99,210	95,654	3,556	93,871
Town Clerk					
Personal services	25,675	25,675	22,993	2,682	24,230
Other services and charges	600	600	600	-	560
Total	26,275	26,275	23,593	2,682	24,790

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current - continued					
General government - continued					
Town Treasurer					
Personal services	\$ 26,571	\$ 26,571	\$ 30,872	\$ (4,301)	\$ 23,696
Other services and charges	600	600	670	(70)	600
Total	27,171	27,171	31,542	(4,371)	24,296
Elections					
Personal services	10,475	10,475	8,652	1,823	2,294
Supplies	625	625	450	175	9,199
Other services and charges	1,400	1,400	598	802	749
Total	12,500	12,500	9,700	2,800	12,242
Assessor					
Other services and charges	43,900	43,900	44,046	(146)	42,146
Legal					
Other services and charges	18,000	18,000	12,438	5,562	22,261
Planning					
Personal services	160	160	60	100	60
Town hall building					
Other services and charges	13,575	13,575	11,544	2,031	12,065
Total general government	240,791	240,791	228,577	12,214	231,731
Public safety					
Fire					
Other services and charges	197,500	197,500	196,659	841	175,968
Public works					
Streets					
Personal services	750	750	309	441	30
Other services and charges	74,750	74,750	59,528	15,222	87,965
Total public works	75,500	75,500	59,837	15,663	87,995

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Parks					
Personal services	\$ 175	\$ 175	\$ 265	\$ (90)	\$ 250
Supplies	200	200	-	200	8
Other services and charges	9,700	9,700	10,120	(420)	10,250
Total culture and recreation	10,075	10,075	10,385	(310)	10,508
Total current expenditures	523,866	523,866	495,458	28,408	506,202
Capital outlay					
General government	3,700	3,700	384	3,316	30,310
TOTAL EXPENDITURES	527,566	527,566	495,842	31,724	536,512
NET CHANGE IN FUND BALANCES	2,056	2,056	82,259	80,203	(23,001)
FUND BALANCES, JANUARY 1	469,521	469,521	469,521	-	492,522
FUND BALANCES, DECEMBER 31	\$ 471,577	\$ 471,577	\$ 551,780	\$ 80,203	\$ 469,521

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
General property taxes	\$ 385,000	\$ 385,000	\$ 385,964	\$ 964	\$ 462,714
Intergovernmental					
State					
Agricultural credit	-	-	651	651	857
Local					
Other grants and aids	38,000	38,000	44,513	6,513	37,080
Total	38,000	38,000	45,164	7,164	37,937
Charges for services	-	-	1,000	1,000	9,020
Special assessments	3,207	3,207	3,207	-	3,704
Miscellaneous	-	-	-	-	1,000
TOTAL REVENUES	426,207	426,207	435,335	9,128	514,375
EXPENDITURES					
Current					
Public works					
Personal services	2,700	2,700	2,772	(72)	2,751
Supplies	60,100	60,100	27,615	32,485	42,374
Other services and charges	440,985	440,985	275,334	165,651	381,078
TOTAL EXPENDITURES	503,785	503,785	305,721	198,064	426,203
NET CHANGE IN FUND BALANCES	(77,578)	(77,578)	129,614	207,192	88,172
FUND BALANCES, JANUARY 1	1,075,804	1,075,804	1,075,804	-	987,632
FUND BALANCES, DECEMBER 31	\$ 998,226	\$ 998,226	\$ 1,205,418	\$ 207,192	\$ 1,075,804

CREDIT RIVER TOWNSHIP, MINNESOTA
 PROPRIETARY FUNDS
 COMBINING SCHEDULES OF NET POSITION
 DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 58,583	\$ 46,406
Receivables		
Accounts	456	364
Special assessments	-	-
Prepaid items	100	101
	59,139	46,871
NONCURRENT ASSETS		
Restricted cash and temporary investments	110,245	100,917
Capital assets		
Infrastructure	204,715	204,715
Less accumulated depreciation	(82,291)	(75,098)
	122,424	129,617
NET CAPITAL ASSETS	122,424	129,617
TOTAL NONCURRENT ASSETS	232,669	230,534
TOTAL ASSETS	291,808	277,405
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	4,938	7,489
Accrued salaries payable	161	72
Deposits payable	433	520
	5,532	8,081
NET POSITION		
Investment in capital assets	122,424	129,617
Restricted for capital replacement and repair	110,245	100,917
Unrestricted	53,607	38,790
	286,276	269,324
TOTAL NET POSITION	\$ 286,276	\$ 269,324

Business-type Activities - Enterprise Funds

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2016	2015	2016	2015	2016	2015
\$ 93,460	\$ 73,035	\$ 70,509	\$ 65,217	\$ 222,552	\$ 184,658
2,194	2,380	390	800	3,040	3,544
5,138	3,463	-	-	5,138	3,463
327	328	74	74	501	503
<u>101,119</u>	<u>79,206</u>	<u>70,973</u>	<u>66,091</u>	<u>231,231</u>	<u>192,168</u>
<u>120,843</u>	<u>106,865</u>	<u>45,288</u>	<u>39,914</u>	<u>276,376</u>	<u>247,696</u>
2,145,286	2,145,286	306,400	306,400	2,656,401	2,656,401
(343,804)	(257,940)	(44,375)	(38,828)	(470,470)	(371,866)
<u>1,801,482</u>	<u>1,887,346</u>	<u>262,025</u>	<u>267,572</u>	<u>2,185,931</u>	<u>2,284,535</u>
<u>1,922,325</u>	<u>1,994,211</u>	<u>307,313</u>	<u>307,486</u>	<u>2,462,307</u>	<u>2,532,231</u>
<u>2,023,444</u>	<u>2,073,417</u>	<u>378,286</u>	<u>373,577</u>	<u>2,693,538</u>	<u>2,724,399</u>
12,028	15,023	3,753	4,320	20,719	26,832
433	727	105	47	699	846
610	369	285	570	1,328	1,459
<u>13,071</u>	<u>16,119</u>	<u>4,143</u>	<u>4,937</u>	<u>22,746</u>	<u>29,137</u>
1,801,482	1,887,346	262,025	267,572	2,185,931	2,284,535
120,843	106,865	45,288	39,914	276,376	247,696
88,048	63,087	66,830	61,154	208,485	163,031
<u>\$ 2,010,373</u>	<u>\$ 2,057,298</u>	<u>\$ 374,143</u>	<u>\$ 368,640</u>	<u>\$ 2,670,792</u>	<u>\$ 2,695,262</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
 PROPRIETARY FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2016	2015
OPERATING REVENUES		
Charges for services	\$ 62,195	\$ 62,422
OPERATING EXPENSES		
Personal services	1,143	1,020
Telephone and office expenses	1,479	1,537
Maintenance	25,617	23,585
Repairs	183	183
Professional services	3,259	3,751
Utilities	1,826	1,948
Other expense	4,832	6,598
Depreciation	7,193	7,119
TOTAL OPERATING EXPENSES	45,532	45,741
OPERATING INCOME (LOSS)	16,663	16,681
NONOPERATING REVENUES		
Investment earnings	289	264
CHANGE IN NET POSITION	16,952	16,945
NET POSITION, JANUARY 1	269,324	252,379
NET POSITION, DECEMBER 31	\$ 286,276	\$ 269,324

Business-type Activities - Enterprise Funds

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2016	2015	2016	2015	2016	2015
\$ 131,111	\$ 106,053	\$ 36,029	\$ 37,160	\$ 229,335	\$ 205,635
3,027	3,457	759	713	4,929	5,190
3,069	3,281	761	788	5,309	5,606
55,163	44,062	15,146	14,939	95,926	82,586
2,106	-	-	-	2,289	183
7,744	9,906	4,642	3,740	15,645	17,397
4,740	4,530	835	832	7,401	7,310
16,633	17,957	2,951	5,394	24,416	29,949
85,864	85,864	5,547	5,547	98,604	98,530
178,346	169,057	30,641	31,953	254,519	246,751
(47,235)	(63,004)	5,388	5,207	(25,184)	(41,116)
310	270	115	102	714	636
(46,925)	(62,734)	5,503	5,309	(24,470)	(40,480)
2,057,298	2,120,032	368,640	363,331	2,695,262	2,735,742
<u>\$ 2,010,373</u>	<u>\$ 2,057,298</u>	<u>\$ 374,143</u>	<u>\$ 368,640</u>	<u>\$ 2,670,792</u>	<u>\$ 2,695,262</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
 PROPRIETARY FUNDS
 COMBINING SCHEDULES OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds	
	Monterey Heights/South Passage Subordinate Service District	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 62,103	\$ 62,806
Payments to suppliers	(39,833)	(42,252)
Payments to employees	(1,054)	(1,030)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	21,216	19,524
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(1,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	289	264
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,505	18,674
CASH AND CASH EQUIVALENTS, JANUARY 1	147,323	128,649
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 168,828	\$ 147,323
CASH AND CASH EQUIVALENTS AS REPORTED ON THE STATEMENT OF NET POSITION		
Cash and temporary investments	\$ 58,583	\$ 46,406
Restricted cash and temporary investments	110,245	100,917
TOTAL CASH AND CASH EQUIVALENTS	\$ 168,828	\$ 147,323
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 16,663	\$ 16,681
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	7,193	7,119
(Increase) decrease in assets		
Accounts receivable	(92)	384
Special assessments receivable	-	-
Prepaid items	1	-
Increase (decrease) in liabilities		
Accounts payable	(2,551)	(4,710)
Accrued salaries payable	89	(10)
Deposits payable	(87)	60
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 21,216	\$ 19,524

Business-type Activities - Enterprise Funds

Territory		Stonebridge		Total Sewer	
Subordinate Service District		Subordinate Service District		Subordinate Service Districts	
2016	2015	2016	2015	2016	2015
\$ 129,622	\$ 104,060	\$ 36,439	\$ 36,540	\$ 228,164	\$ 203,406
(92,208)	(84,172)	(25,187)	(26,999)	(157,228)	(153,423)
(3,321)	(3,070)	(701)	(719)	(5,076)	(4,819)
<u>34,093</u>	<u>16,818</u>	<u>10,551</u>	<u>8,822</u>	<u>65,860</u>	<u>45,164</u>
-	-	-	-	-	(1,114)
<u>310</u>	<u>270</u>	<u>115</u>	<u>102</u>	<u>714</u>	<u>636</u>
34,403	17,088	10,666	8,924	66,574	44,686
<u>179,900</u>	<u>162,812</u>	<u>105,131</u>	<u>96,207</u>	<u>432,354</u>	<u>387,668</u>
<u>\$ 214,303</u>	<u>\$ 179,900</u>	<u>\$ 115,797</u>	<u>\$ 105,131</u>	<u>\$ 498,928</u>	<u>\$ 432,354</u>
\$ 93,460	\$ 73,035	\$ 70,509	\$ 65,217	\$ 222,552	\$ 184,658
<u>120,843</u>	<u>106,865</u>	<u>45,288</u>	<u>39,914</u>	<u>276,376</u>	<u>247,696</u>
<u>\$ 214,303</u>	<u>\$ 179,900</u>	<u>\$ 115,797</u>	<u>\$ 105,131</u>	<u>\$ 498,928</u>	<u>\$ 432,354</u>
\$ (47,235)	\$ (63,004)	\$ 5,388	\$ 5,207	\$ (25,184)	\$ (41,116)
85,864	85,864	5,547	5,547	98,604	98,530
186	(10)	410	(620)	504	(246)
(1,675)	(1,983)	-	-	(1,675)	(1,983)
1	-	-	-	2	-
(2,995)	(4,542)	(567)	(1,211)	(6,113)	(10,463)
(294)	387	58	(6)	(147)	371
<u>241</u>	<u>106</u>	<u>(285)</u>	<u>(95)</u>	<u>(131)</u>	<u>71</u>
<u>\$ 34,093</u>	<u>\$ 16,818</u>	<u>\$ 10,551</u>	<u>\$ 8,822</u>	<u>\$ 65,860</u>	<u>\$ 45,164</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	2009 G.O. Improvement Bond	2012 G.O. Improvement Bond	2015 G.O. Improvement Bond	Total
ASSETS				
Cash and temporary investments	\$ 140,173	\$ 276,517	\$ 324,835	\$ 741,525
Receivables				
Taxes	796	740	1,154	2,690
Special assessments	56,367	309,600	465,467	831,434
Due from other governments	-	-	686	686
TOTAL ASSETS	<u>\$ 197,336</u>	<u>\$ 586,857</u>	<u>\$ 792,142</u>	<u>\$ 1,576,335</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	\$ 367	\$ 341	\$ 532	\$ 1,240
Unavailable revenue - special assessments	56,367	309,600	465,438	831,405
TOTAL DEFERRED INFLOWS OF RESOURCES	56,734	309,941	465,970	832,645
FUND BALANCE				
Restricted for debt service	140,602	276,916	326,172	743,690
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 197,336</u>	<u>\$ 586,857</u>	<u>\$ 792,142</u>	<u>\$ 1,576,335</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	2009 G.O. Improvement Bond	2012 G.O. Improvement Bond	2015 G.O. Improvement Bond	Total
REVENUES				
Property taxes	\$ 58,321	\$ 54,185	\$ 83,964	\$ 196,470
Intergovernmental	98	92	143	333
Special assessments	32,352	90,744	110,293	233,389
	<u>90,771</u>	<u>145,021</u>	<u>194,400</u>	<u>430,192</u>
TOTAL REVENUES				
EXPENDITURES				
Debt service				
Principal	90,000	105,000	-	195,000
Interest and other charges	9,785	12,511	28,664	50,960
	<u>99,785</u>	<u>117,511</u>	<u>28,664</u>	<u>245,960</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,014)	27,510	165,736	184,232
FUND BALANCES, JANUARY 1	<u>149,616</u>	<u>249,406</u>	<u>160,436</u>	<u>559,458</u>
FUND BALANCES, DECEMBER 31	<u>\$ 140,602</u>	<u>\$ 276,916</u>	<u>\$ 326,172</u>	<u>\$ 743,690</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENSES FOR GENERAL OPERATIONS -
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Property taxes	\$ 1,341,181	\$ 1,299,565	3.20 %
Franchise taxes	29,972	21,082	42.17
Licenses and permits	5,000	6,100	(18.03)
Intergovernmental	74,682	39,641	88.40
Charges for services	25,746	39,818	(35.34)
Special assessments	504,229	453,599	11.16
Investment earnings	8,699	7,536	15.43
Miscellaneous	965	1,000	(3.50)
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 1,990,474</u>	<u>\$ 1,868,341</u>	6.54 %
Per Capita	\$ 364	\$ 342	
EXPENDITURES			
Current			
General government	\$ 228,577	\$ 231,731	(1.36) %
Public safety	196,659	175,968	11.76
Public works	365,558	514,198	(28.91)
Culture and recreation	11,116	10,587	5.00
Capital outlay			
General government	384	30,310	(98.73)
Public works	944,416	1,364,517	(30.79)
Culture and recreation	7,771	1,861	317.57
Debt service			
Principal	195,000	190,000	2.63
Interest and other charges	50,960	25,000	103.84
Bond issuance costs	-	22,536	(100.00)
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 2,000,441</u>	<u>\$ 2,566,708</u>	(22.06) %
Per Capita	\$ 365	\$ 470	
Total Long-term Indebtedness	\$ 2,505,000	\$ 2,700,000	(7.22) %
Per Capita	458	495	(7.47)
General Fund Balance - December 31	\$ 551,780	\$ 469,521	17.52 %
Per Capita	101	86	17.44

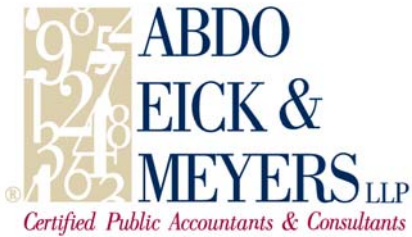
The purpose of this report is to provide a summary of financial information concerning Credit River Township to interested citizens. The complete financial statements may be examined at Credit River Town Hall, 18985 Meadow View Blvd Prior Lake, MN 55372. Questions about this report should be directed to Dominique Hill, Treasurer, at treasurer@creditriver-mn.gov.

OTHER REQUIRED REPORT

CREDIT RIVER TOWNSHIP
SCOTT COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2017.

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 21, 2017