

**CITY OF RANIER, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**





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## **INTRODUCTORY SECTION**





**CITY OF RANIER, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
DECEMBER 31, 2015**

<b>ELECTED</b>	<b>NAME</b>	<b>TERM EXPIRES</b>
Mayor	Dennis Wagner	12/31/2016
City Council	Todd Coulombe	12/31/2016
City Council	Tony Cole	12/31/2016
City Council	Ron Wilcox	12/31/2018
City Council	JoAnn Kellner	12/31/2018
<b>APPOINTED</b>		
City Administrator	Sherril Gautreaux	Indefinite

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Ranier  
Ranier, Minnesota

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ranier (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 City'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 City'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.

## **Report on the Financial Statements (Continued)**

### ***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, and each major fund of the City of Ranier as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

During the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 7). Our auditors' opinion was not modified with respect to the restatement.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Budgetary Comparison Schedule – General Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ranier's basic financial statements. The Balance Sheets – Water and Sewer Utility Enterprise Fund, Statements of Revenues, Expenses and Changes in Net Position – Water and Sewer Utility Enterprise Fund, Balance Sheets – Liquor Store Fund, and Statements of Revenues, Expenses and Changes in Net Position – Liquor Store Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Other Matters (Continued)**

*Other Information (Continued)*

The Balance Sheets – Water and Sewer Utility Enterprise Fund, Statements of Revenues, Expenses and Changes in Net Position – Water and Sewer Utility Enterprise Fund, Balance Sheets – Liquor Store Fund, and Statements of Revenues, Expenses and Changes in Net Position – Liquor Store Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016, on our consideration of the City of Ranier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ranier's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
February 17, 2016

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## **BASIC FINANCIAL STATEMENTS**



**CITY OF RANIER, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 247,495	\$ 364,600	\$ 612,095
Taxes Receivable			
Delinquent	7,606	-	7,606
Special Assessments Receivable			
Delinquent	263,432	-	263,432
Accounts Receivable - Net	-	29,667	29,667
Inventories	-	19,613	19,613
Prepaid Items	2,198	2,732	4,930
Capital Assets not Being Depreciated			
Land	-	976	976
Construction-in-Progress	-	11,020	11,020
Capital Assets Being Depreciated			
Buildings	347,238	183,841	531,079
Infrastructure	-	2,943,652	2,943,652
Machinery and Equipment	13,279	32,668	45,947
Accumulated Depreciation	(152,255)	(1,225,542)	(1,377,797)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	12,793	12,335	25,128
Total Assets and Deferred Outflows of Resources	<u>741,786</u>	<u>2,375,562</u>	<u>3,117,348</u>
<b>LIABILITIES</b>			
Accounts Payable	26,170	26,408	52,578
Salaries and Benefits Payable	-	3,595	3,595
Accrued Interest Payable	3,461	36,180	39,641
Unearned Revenue	1,608	-	1,608
Bonds Payable - Due Within One Year	51,000	19,000	70,000
Compensated Absences Payable - Due Within One Year	608	791	1,399
Net Pension Liability - Due in More than One Year	92,345	89,044	181,389
Bonds Payable - Due in More Than One Year	408,823	1,169,000	1,577,823
Compensated Absences Payable - Due in More Than One Year	3,816	7,314	11,130
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	4,656	4,489	9,145
Total Liabilities and Deferred Inflows of Resources	<u>592,487</u>	<u>1,355,821</u>	<u>1,948,308</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	(255,021)	711,416	456,395
Restricted for			
Debt Service	98,711	-	98,711
Unrestricted	305,609	308,325	613,934
Total Net Position	<u>\$ 149,299</u>	<u>\$ 1,019,741</u>	<u>\$ 1,169,040</u>

See accompanying Notes to the Financial Statements.

**CITY OF RANIER, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 169,543	\$ 9,737	\$ 10,121	\$ -
Public Safety	33,100	-	5,577	-
Streets and Highways	25,768	-	-	-
Culture and Recreation	47,741	-	11,100	78,014
Economic Development	132,032	-	153,461	-
Interest	10,718	9,962	-	-
Total Governmental Activities	418,902	19,699	180,259	78,014
Business-Type Activities				
Liquor Store	386,401	449,832	-	-
Water	351,391	275,292	-	-
Total Business-Type Activities	737,792	725,124	-	-
Total Primary Government	\$ 1,156,694	\$ 744,823	\$ 180,259	\$ 78,014

General Revenues  
  Property Taxes  
  Franchise Taxes  
  Grants and Contributions not Restricted for a Particular Purpose  
  Investment Earnings  
  Miscellaneous  
Transfers  
  Total General Revenues

**CHANGES IN NET POSITION**

Net Position - Beginning of Year  
Prior Period Adjustment (See Note 7)  
Net Position - Beginning of Year, as Restated

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (149,685)	\$ -	\$ (149,685)
(27,523)	-	(27,523)
(25,768)	-	(25,768)
41,373	-	41,373
21,429	-	21,429
<u>(756)</u>	<u>-</u>	<u>(756)</u>
(140,930)	-	(140,930)
-	63,431	63,431
<u>-</u>	<u>(76,099)</u>	<u>(76,099)</u>
-	(12,668)	(12,668)
<u>(140,930)</u>	<u>(12,668)</u>	<u>(153,598)</u>
152,941	-	152,941
1,000	-	1,000
47,162	-	47,162
10	716	726
6,965	-	6,965
<u>82,302</u>	<u>(82,302)</u>	<u>-</u>
<u>290,380</u>	<u>(81,586)</u>	<u>208,794</u>
149,450	(94,254)	55,196
79,729	1,191,020	1,270,749
<u>(79,880)</u>	<u>(77,025)</u>	<u>(156,905)</u>
<u>(151)</u>	<u>1,113,995</u>	<u>1,113,844</u>
<u>\$ 149,299</u>	<u>\$ 1,019,741</u>	<u>\$ 1,169,040</u>

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## **FUND FINANCIAL STATEMENTS**





**CITY OF RANIER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	General Fund	2012 Capital Improvement Fund	2012A GO Utility Revenue Refunding Note Fund	2012A GO Improvement Bond Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 132,967	\$ -	\$ 1,446	\$ 113,082	\$ 247,495
Taxes Receivable					
Delinquent	7,606	-	-	-	7,606
Special Assessments Receivable					
Noncurrent	-	-	-	263,432	263,432
Prepaid Items	2,198	-	-	-	2,198
Total Assets	<u>\$ 142,771</u>	<u>\$ -</u>	<u>\$ 1,446</u>	<u>\$ 376,514</u>	<u>\$ 520,731</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 26,170	\$ -	\$ -	\$ -	\$ 26,170
Unearned Revenue	1,608	-	-	-	1,608
Total Liabilities	27,778	-	-	-	27,778
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	7,334	-	-	-	7,334
Unavailable Revenue - Special Assessments	-	-	-	263,432	263,432
Total Deferred Inflow of Resources	7,334	-	-	263,432	270,766
Fund Balances					
Nonspendable Prepaid Items	2,198	-	-	-	2,198
Restricted for Debt Repayment	-	-	1,446	113,082	114,528
Unassigned	105,461	-	-	-	105,461
Total Fund Balances	<u>107,659</u>	<u>-</u>	<u>1,446</u>	<u>113,082</u>	<u>222,187</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 142,771</u>	<u>\$ -</u>	<u>\$ 1,446</u>	<u>\$ 376,514</u>	<u>\$ 520,731</u>

See accompanying Notes to Financial Statements.

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**CITY OF RANIER, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

<b>FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 222,187</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		208,262
Net Pension Liability and related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	\$ (92,345)	
Deferred Inflows of Resources - Pension Related	(4,656)	
Deferred Outflows of Resources - Pension Contributions	<u>12,793</u>	(84,208)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds.		270,766
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds Payable, Net of Unamortized Bond Premiums	(459,823)	
Accrued Compensated Absences	(4,424)	
Accrued Interest Payable on General Obligation Bonds	<u>(3,461)</u>	<u>(467,708)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 149,299</u></b>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	General Fund	2012 Capital Improvement Fund	2012A GO Utility Revenue Refunding Note Fund	2012A GO Improvement Bond Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 160,731	\$ -	\$ -	\$ -	\$ 160,731
Special Assessments	-	-	-	45,645	45,645
Licenses and Permits	1,692	-	-	-	1,692
Intergovernmental	232,685	-	-	-	232,685
Charges for Services	8,045	-	-	-	8,045
Interest on Investments	10	-	-	-	10
Miscellaneous	70,335	-	-	-	70,335
Total Revenues	473,498	-	-	45,645	519,143
<b>EXPENDITURES</b>					
Current					
General Government	212,253	-	-	-	212,253
Public Safety	33,100	-	-	-	33,100
Streets and Highways	25,768	-	-	-	25,768
Culture and Recreation	44,412	-	-	-	44,412
Housing and Economic Development	132,032	-	-	-	132,032
Other	31	-	-	-	31
Capital Outlay					
Culture and Recreation	43,664	-	-	-	43,664
Debt Service					
Principal	-	-	11,000	35,000	46,000
Interest and Other Charges	-	-	2,834	8,206	11,040
Total Expenditures	491,260	-	13,834	43,206	548,300
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(17,762)	-	(13,834)	2,439	(29,157)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	40,000	28,468	13,834	-	82,302
<b>NET CHANGE IN FUND BALANCES</b>	22,238	28,468	-	2,439	53,145
Fund Balance (Deficit) - Beginning of Year	85,421	(28,468)	1,446	110,643	169,042
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 107,659</b>	<b>\$ -</b>	<b>\$ 1,446</b>	<b>\$ 113,082</b>	<b>\$ 222,187</b>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 53,145

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 100,628	
Current Year Depreciation	<u>(10,561)</u>	90,067

Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.		(4,328)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(33,093)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments:		
General Obligation Bonds		46,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	131	
Amortization of Premiums	191	
Change in Compensated Absences	<u>(2,663)</u>	<u>(2,341)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 149,450

**CITY OF RANIER, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

	Water and Sewer Utility Enterprise Fund	Liquor Store Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 274,681	\$ 89,919	\$ 364,600
Trade Accounts Receivable - Net	29,482	185	29,667
Inventories	-	19,613	19,613
Prepaid Items	618	2,114	2,732
Total Current Assets	<u>304,781</u>	<u>111,831</u>	<u>416,612</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets			
Land	-	976	976
Construction in Progress	-	11,020	11,020
Buildings	-	183,841	183,841
Infrastructure	2,943,652	-	2,943,652
Machinery and Equipment	-	32,668	32,668
Accumulated Depreciation	(1,014,871)	(210,671)	(1,225,542)
Total Noncurrent Assets	<u>1,928,781</u>	<u>17,834</u>	<u>1,946,615</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	<u>2,201</u>	<u>10,134</u>	<u>12,335</u>
Total Assets and Deferred Outflows of Resources	2,235,763	139,799	2,375,562
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	13,716	12,692	26,408
Salaries and Benefits Payable	-	3,595	3,595
Accrued Interest Payable	36,180	-	36,180
Compensated Absences - Due Within One Year	171	620	791
Bonds, Notes, and Capital Leases Payable - Due Within One Year	19,000	-	19,000
Total Current Liabilities	<u>69,067</u>	<u>16,907</u>	<u>85,974</u>
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	15,890	73,154	89,044
Compensated Absences Payable - Due in More than One Year	686	6,628	7,314
Bonds, Notes, and Capital Lease Payable - Due in More than One Year	1,169,000	-	1,169,000
Total Noncurrent Liabilities	<u>1,185,576</u>	<u>79,782</u>	<u>1,265,358</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	<u>801</u>	<u>3,688</u>	<u>4,489</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,255,444</u>	<u>100,377</u>	<u>1,355,821</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	704,601	6,815	711,416
Unrestricted	<u>275,718</u>	<u>32,607</u>	<u>308,325</u>
Total Net Position	<u>\$ 980,319</u>	<u>\$ 39,422</u>	<u>\$ 1,019,741</u>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	Water and Sewer Utility Enterprise Fund	Liquor Store Fund	Total
<b>OPERATING REVENUES</b>			
Sales and Charges for Services	\$ 272,453	\$ 446,265	\$ 718,718
Cost of Sales	-	181,871	181,871
Total Operating Revenues	272,453	264,394	536,847
<b>OPERATING EXPENSES</b>			
Wages and Benefits	39,856	129,574	169,430
Water Purchased	161,827	-	161,827
Contracted Sewer Treatment	22,400	-	22,400
Maintenance	13,657	6,012	19,669
Utilities	-	14,104	14,104
Supplies	10,578	8,453	19,031
Legal and Professional Fees	7,167	8,266	15,433
Insurance	2,047	22,644	24,691
Depreciation	53,867	337	54,204
Miscellaneous	4,352	15,140	19,492
Total Operating Expenses	315,751	204,530	520,281
<b>OPERATING INCOME (LOSS)</b>	(43,298)	59,864	16,566
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Expense and Fiscal Charges	(35,640)	-	(35,640)
Other Revenue	2,839	3,567	6,406
Interest Revenue	693	23	716
Total Nonoperating Revenues (Expenses)	(32,108)	3,590	(28,518)
Income (Loss) before Transfers	(75,406)	63,454	(11,952)
Transfers Out	(13,834)	(68,468)	(82,302)
<b>CHANGE IN NET POSITION</b>	(89,240)	(5,014)	(94,254)
Net Position - Beginning of Year	1,083,304	107,716	1,191,020
Prior Period Adjustment (See Note 7)	(13,745)	(63,280)	(77,025)
Net Assets - Beginning of Year, as Restated	1,069,559	44,436	1,113,995
<b>NET POSITION - END OF YEAR</b>	<u>\$ 980,319</u>	<u>\$ 39,422</u>	<u>\$ 1,019,741</u>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	Water and Sewer Utility Enterprise Fund	Liquor Store Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 270,328	\$ 446,151	\$ 716,479
Payments to Suppliers	(224,404)	(259,613)	(484,017)
Payments to Employees	(39,516)	(127,220)	(166,736)
Net Cash Provided (Used) by Operating Activities	6,408	59,318	65,726
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers Out	(13,834)	(68,468)	(82,302)
Other Miscellaneous Receipts	2,839	3,567	6,406
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(10,995)	(64,901)	(75,896)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Paid on Debt	(18,000)	-	(18,000)
Interest Paid on Debt	(36,180)	-	(36,180)
Acquisition of Capital Assets	-	(11,020)	(11,020)
Net Cash Provided (Used) by Capital and Related Financing Activities	(54,180)	(11,020)	(65,200)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received	693	23	716
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(58,074)	(16,580)	(74,654)
Cash and Cash Equivalents - Beginning of Year	332,755	106,499	439,254
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 274,681</u>	<u>\$ 89,919</u>	<u>\$ 364,600</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (43,298)	\$ 59,864	\$ 16,566
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	53,867	337	54,204
(Increase) Decrease in Assets and Deferred Outflows of Resources			
Accounts Receivable	(2,125)	(114)	(2,239)
Inventory	(111)	857	746
Prepaid Items	-	1,416	1,416
Deferred Outflows of Resources	(2,201)	(10,134)	(12,335)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources			
Accounts Payable	(2,265)	(5,396)	(7,661)
Salaries and Benefits Payable	(842)	-	(842)
Compensated Absences Payable	437	(1,074)	(637)
Net Pension Liability	2,145	9,874	12,019
Deferred Inflows of Resources	801	3,688	4,489
Total Adjustments	49,706	(546)	49,160
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,408</u>	<u>\$ 59,318</u>	<u>\$ 65,726</u>

See accompanying Notes to Financial Statements.



**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ranier (the City) is a municipality organized in the State of Minnesota and is governed by an elected four-member council. The City operates under a Mayor-Council form of government and provides services including public safety, public works, culture and recreation, general governmental services, water and sewer utilities, and liquor store as authorized by applicable Minnesota Statutes. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies of the City.

The financial statements of the City of Ranier have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the City's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the City. In addition, the City's financial statements are to include all component units – entities for which the City is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the City. There are no other entities for which the City is financially accountable.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 about the Primary Government as a whole. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to users of the services for support.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund 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. The City considers all revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus and Basis of Accounting (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current-fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in 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 government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

2012 Capital Improvement Fund: Accounts for the accumulation of resources and payment of the Three Points North Project.

2012A GO Utility Revenue Refunding Note Fund: Accounts for the accumulation of resources and payment of the General Obligation Utility Revenue Refunding Note, Series 2012A.

2012A GO Improvement Bond Fund: Accounts for the accumulation of resources and payment of General Obligation Utility Revenue Refunding Note, Series 2012A.

The City reports the following major proprietary funds:

Water and Sewer Utility Enterprise Fund – The Water and Sewer Utility Enterprise Fund accounts for the provision of water and sewer services to the City's residents and businesses.

Liquor Store Fund – The Liquor Store Fund accounts for the activities of the City's on and off sale liquor operations.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

D. Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

**1. Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Cash balances are invested to the extent available in various securities as authorized by Minnesota Statutes. Investment earnings are recorded in the individual fund carrying the investment. Investments are stated at fair value.

**2. Investments**

Investments are accounted for at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Income from investments, including changes in fair value of investments, is recognized when earned. Investments for the City consist of certificates of deposit.

**3. Accounts Receivable**

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. The City's Enterprise Funds extend credit to customers on an unsecured basis. The Enterprise Funds establish an allowance for doubtful accounts based on the status of accounts receivable at year-end, historical losses, and existing economic conditions. Management has determined that an allowance for doubtful accounts is not necessary as of December 31, 2015. Delinquent accounts are assessed through the property tax system.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

**4. Property Tax and Special Assessments**

Property taxes are levied by action of the City Council based upon the approved budget for the General Fund and requirements of the bond agreements for the Debt Service Funds. The General Fund levy is limited in amount by State Statute. Special assessments are levied by action of the City Council based upon approved projects. Property taxes levied January 1, and due May 15 and October 15, are used to finance current operations. The City receives its taxes in three installments, in July, December, and the January following the tax year for which the taxes were levied.

**5. Inventory**

Inventories held by the Enterprise Funds are valued at the lower of cost, (first-in, first-out basis), or market. The City had no significant inventories in the governmental funds.

**6. Prepaid Items**

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. That portion of the relevant funds' balances equal to the prepaid items is considered nonspendable if the amounts are considered to be material.

**7. Capital Assets**

Capital assets, which include land, property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The City defines capital assets as infrastructure with an initial cost of more than \$50,000 and other assets with an initial cost of more than \$5,000 and useful lives of more than one year. Costs incurred for repairs and maintenance are expensed as incurred. Straight-line depreciation is used based on the following estimated useful lives:

**CITY OF RANIER, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

**7. Capital Assets (Continued)**

Assets	Years
Buildings and Improvements	10-40
Machinery and Equipment	5-7
Infrastructure	40

**8. 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 and so will not be recognized as an outflow of resources (expenses) until then.

**9. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay them. Vacation leave and other employee benefit amounts of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. Employees are not compensated for unused sick pay upon termination.

**10. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets and Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources, Net Position or Equity (Continued)

**11. Net Pension Liability**

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.

**12. Deferred Inflows of Resources**

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an acquisition of fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting.

In addition to the governmental fund statements, the statement of net position 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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets and Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources, Net Position or Equity (Continued)

**13. Fund Balance and Net Position**

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that will never be converted to cash or will not be converted to cash soon enough to affect the current period. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the council. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City does not have a formally adopted fund balance policy, therefore, when committed, assigned, and unassigned fund balance is available for use, the City will use committed, assigned, and finally unassigned fund balance.

In the financial statements, proprietary funds and government wide statement of net position, equity is presented in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there is limitation imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is presented as unrestricted.



**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues, Expenditures, and Expenses

**1. Revenues**

In the fund financial statements, property taxes are recognized to the extent they are collected and received in the current period or within the period of availability. Portions paid by the state in the form of market value credit aid, and other state tax credits are included in intergovernmental revenues. Delinquent property taxes receivable which have not been recognized as revenue are equally offset in the fund financial statements by deferred inflows.

Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded as revenues when measurable and available.

Special assessments principal and interest earnings are recorded as revenues in the same manner as property taxes.

Property Tax Collection Calendar

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. The County is the collecting agency for the levy and then remits the collection to the City. All taxes not collected as of December 31 are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain payments paid directly to the City.

The County Auditor provides a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

Property owners are required to pay one-half of their real estate taxes by May 15 and the balances by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70 percent of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after the settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the County Treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues, Expenditures, and Expenses (Continued)

**1. Revenues (Continued)**

Any adjustments or abatements to either the current or any prior year levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year-end are classified as delinquent and not considered measurable and available and are fully offset by deferred inflows of resources in the governmental fund financial statements. Delinquent taxes receivable represent the past six years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

**2. Expenditures**

Expenditure recognition for governmental fund types includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or liabilities. They are reported as liabilities on the statement of net position.

**3. Expenses**

Proprietary funds recognize expenses when they are incurred.

F. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Expenditures in Excess of Appropriations

At December 31, 2015, the City's General Fund had expenditures of \$491,260, which exceed the final budgeted expenditures of \$448,067 by \$43,193. These excess expenditures were primarily funded by existing fund balance and a transfer from the Liquor Store Fund

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

A. Assets

**Cash and Investments**

The cash balances of substantially all funds are pooled for the purpose of increasing earnings through investment activities. Fund investments are reported at their fair value at December 31, 2015, based on market prices. Total investment earnings for 2015 were \$726.

Deposits

In accordance with applicable Minnesota State Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledge must equal 110 percent of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; issued of the U.S. government agency; general obligations of local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

At December 31, 2015, all of the City's deposits were fully insured and/or collateralized as required by Minnesota Statutes §118A.03.

The City does not have a formal investment policy.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Capital Assets**

Capital asset activity for the Primary Government for the year ended December 31, 2015, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Being Depreciated				
Buildings	\$ 246,738	\$ 100,500	\$ -	\$ 347,238
Machinery and Equipment	13,279	-	-	13,279
Total Capital Assets Being Depreciated	<u>260,017</u>	<u>100,500</u>	<u>-</u>	<u>360,517</u>
Less: Accumulated Depreciation for				
Buildings	128,543	10,433	-	138,976
Machinery and Equipment	13,279	-	-	13,279
Total Accumulated Depreciation	<u>141,822</u>	<u>10,433</u>	<u>-</u>	<u>152,255</u>
Total Capital Assets Being Depreciated, Net	<u>118,195</u>	<u>90,067</u>	<u>-</u>	<u>208,262</u>
Governmental Activities Capital Assets, Net	<u>\$ 118,195</u>	<u>\$ 90,067</u>	<u>\$ -</u>	<u>\$ 208,262</u>

The following is a summary of the Proprietary Fund capital assets at December 31, 2015:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 976	\$ -	\$ -	\$ 976
Construction in Progress	-	11,020	-	11,020
Total Capital Assets Not Being Depreciated	<u>976</u>	<u>11,020</u>	<u>-</u>	<u>11,996</u>
Capital Assets Being Depreciated				
Buildings	183,841	-	-	183,841
Infrastructure	2,943,652	-	-	2,943,652
Machinery and Equipment	32,668	-	-	32,668
Total Capital Assets Being Depreciated	<u>3,160,161</u>	<u>-</u>	<u>-</u>	<u>3,160,161</u>
Less: Accumulated Depreciation for				
Buildings	177,666	337	-	178,003
Infrastructure	961,004	53,867	-	1,014,871
Machinery and Equipment	32,668	-	-	32,668
Total Accumulated Depreciation	<u>1,171,338</u>	<u>54,204</u>	<u>-</u>	<u>1,225,542</u>
Total Capital Assets Being Depreciated, Net	<u>1,988,823</u>	<u>(54,204)</u>	<u>-</u>	<u>1,934,619</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,989,799</u>	<u>\$ (43,184)</u>	<u>\$ -</u>	<u>\$ 1,946,615</u>

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 5,726
Culture and Recreation	4,707
Total Depreciation Expense - Governmental Activities	\$ 10,433
Business-Type Activities:	
Liquor Enterprise	\$ 337
Water and Sewer Utility	53,867
Total Depreciation Expense - Business-Type Activities	\$ 54,204

C. Interfund Receivables, Payables and Transfers

**Interfund Transfers**

The composition of interfund transfers as of December 31, 2015 consisted of transfers from the Liquor Enterprise Fund to the General Fund of \$40,000 for operations and from the Liquor Enterprise Fund to the 2012 Capital Improvement Fund of \$28,468 for the final payment on the Three Points North Project and from the Water and Sewer Utility Fund to the 2012A GO Utility Revenue Refunding Note Fund of \$13,834 for debt service.

D. Liabilities

**1. Long-Term Debt**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for proprietary activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full-faith and credit of the City. Assets of the Debt Service Funds, together with scheduled future ad valorem tax levies, tax increments and special assessments, are dedicated for the retirement of these bonds.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Liabilities (Continued)**

**2. Components of Long-Term Debt**

	Authorized and Issued	Outstanding	Due in 2016 Principal
<b>GOVERNMENTAL ACTIVITIES</b>			
\$480,000 G.O. Improvement Bonds, Series 2012A, Due in Annual Installments of \$35,000 to \$45,000 through February 2025, Interest at 0.75 to 2.75% Payable Semiannually.	\$ 480,000	\$ 410,000	\$ 40,000
\$79,600 G.O. Utility Revenue Refunding Note, Series 2012A, Due in Annual Installments of \$9,600 to \$13,000 through December 2019, Plus Interest at 2.40% Payable Semiannually.	79,600	48,000	11,000
Total General Obligation Bonds, Including Refunding Bonds	559,600	458,000	51,000
Plus: Unamortized Premium	-	1,823	-
Total Long-Term Debt - Governmental Activities	559,600	459,823	51,000
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b>Revenue Bonds</b>			
\$1,241,000 G.O. Water Revenue Bond, Series 2011, Due in Annual Installments of \$17,000 to \$53,000 Through January 2051 Plus Interest at 3.00% Payable Semiannually.	1,241,000	1,188,000	19,000
Total Government-Wide Long-Term Liabilities	\$ 1,800,600	\$ 1,647,823	\$ 70,000

**3. Changes in Long-Term Debt**

	December 31, 2014	Additions	Retirements	December 31, 2015	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Debt	\$ 504,000	\$ -	\$ 46,000	\$ 458,000	\$ 51,000
Plus: Unamortized Premiums	2,014	-	191	1,823	-
Compensated Absences Payable	1,761	7,834	5,171	4,424	608
Total Governmental Activities	\$ 507,775	\$ 7,834	\$ 51,362	\$ 464,247	\$ 51,608
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Notes	\$ 1,206,000	\$ -	\$ 18,000	\$ 1,188,000	\$ 19,000
Compensated Absences Payable	8,742	9,542	10,179	8,105	791
Total Business-Type Activities	\$ 1,214,742	\$ 9,542	\$ 28,179	\$ 1,196,105	\$ 19,791

Compensated absences are paid as described in Note 1.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

D. Liabilities (Continued)

**4. Minimum Debt Payments**

The annual requirements to amortize general obligation debt outstanding are as follows:

Year	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2016	\$ 51,000	\$ 9,017	\$ 60,017
2017	52,000	8,311	60,311
2018	52,000	7,463	59,463
2019	53,000	6,615	59,615
2020	40,000	5,675	45,675
2021-2025	210,000	14,330	224,330
Total	\$ 458,000	\$ 51,411	\$ 509,411

Year	Business-Type Activities		
	Revenue Bonds		
	Principal	Interest	Total
2016	\$ 19,000	\$ 35,640	\$ 54,640
2017	19,000	35,070	54,070
2018	20,000	34,500	54,500
2019	21,000	33,900	54,900
2020	21,000	33,270	54,270
2021-2025	116,000	156,480	272,480
2026-2030	134,000	138,000	272,000
2031-2035	155,000	116,700	271,700
2036-2040	180,000	91,950	271,950
2041-2045	208,000	63,330	271,330
2046-2050	242,000	30,120	272,120
2051	53,000	1,590	54,590
Total	\$ 1,188,000	\$ 770,550	\$ 1,958,550

The City has pledged future revenues from the Water and Sewer Utility Enterprise Fund, net of specified operating expenses, to repay \$79,600 of the Series 2012A G.O. Utility Revenue Refunding Note. Proceeds from the Bonds were used to meet the General Obligation Water Revenue Note, Series 2010A expiring debt obligation. Principal and interest on the bonds are payable through 2019, from the Water and Sewer Utility Enterprise Fund water revenues. If these revenues are insufficient to meet the principal and interest payments, the City has the authority to levy a special tax to meet the shortfall. The total principal and interest remaining to be paid on the note is \$50,676. Principal and interest paid for the current year and water revenues was \$12,356 and \$221,075, respectively.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

E. Risk Management

The City is exposed to various risks of loss related to: torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City (Primary Government) has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment is estimated to be immaterial based on worker's compensation rates and salaries for the year ended December 31, 2015.

**NOTE 4 PENSION PLANS**

**Pension Description**

The City 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.

All full-time and certain part-time employees of The City 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.



**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state 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% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% 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.

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% of average salary for each of the first ten years of service and 2.7% 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% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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.

**Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee Contributions. Contribution rates can only be modified by the state legislature.

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERS for the year ended December 31, 2015, were \$15,857. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Pension Costs**

At December 31, 2015, the City reported a liability of \$181,389 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0035 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$24,179 for its proportionate share of the GERS's pension expense.

At December 31, 2015, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 9,145
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	17,171	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	-
City Contributions Subsequent to the Measurement Date	7,957	-
Total	<u>\$ 25,128</u>	<u>\$ 9,145</u>

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

\$25,128 is reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expenses Amount
2016	\$ 1,244
2017	1,244
2018	1,244
2019	4,294
2020	-
Thereafter	-

**Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF
Inflation	2.75% per Year
Salary Increases	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-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**Pension Liability Sensitivity**

The following presents the City'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 City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
City of Ranier's Proportionate Share of the GERF Net Pension Liability	\$ 285,207	\$ 181,388	\$ 95,650

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

The City participates in numerous State and Federal grant programs, which are governed by various rule and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collection of any related receivable at December 31, 2015 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such obligations.

**NOTE 6 RELATED-PARTY TRANSACTIONS**

In January 2015, the City Administrator was notified by Wagner Construction, Inc. that the final invoice from the 3-Points North project from 2012 had not been paid by the City. The final invoice was approved on July 2, 2013 by SEH, the engineering firm on the project. The payment application was not submitted to the City until January of 2015. The City accrued the invoice as payable for the year ended December 31, 2014, and on March 17, 2015, the Council approved the final payment with Mayor Wagner abstaining. The final invoice total was \$44,530.96.

In January 2015, there was a water main break and the City used Wagner Construction, Inc. to repair the water main. The City Council approved Resolution 2015-02 – Ratification of Emergency Contract, at the March 17, 2015 meeting. Mayor Wagner abstained from voting. The final invoice total was \$4,336.15.

Related-party transactions with Mayor Dennis Wagner totaled \$48,867.11 in 2015.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 7 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2015, the City adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014, net position of the governmental and business-type activities as follows:

	Governmental Activities	Business-Type Activities	
		Water and Sewer Utility Enterprise Fund	Liquor Store Fund
Net Position, December 31, 2014, as Previously Reported	\$ 79,729	\$ 1,083,304	\$ 107,716
Cumulative Affect of Application of GASB 68, Net Pension Liability	(83,702)	(14,403)	(66,308)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for City Contributions Made to the Plan During Measurement Period (7/1/14 - 12/31/14)	3,822	658	3,028
Net Position, December 31, 2014, as Restated	<u>\$ (151)</u>	<u>\$ 1,069,559</u>	<u>\$ 44,436</u>

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**





**CITY OF RANIER, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 165,500	\$ 165,500	\$ 160,731	\$ (4,769)
Licenses and Permits				
Business License	1,544	1,670	1,500	(170)
Building Permits	-	-	192	192
Total Licenses and Permits	<u>1,544</u>	<u>1,670</u>	<u>1,692</u>	<u>22</u>
Intergovernmental				
Federal	-	-	143,127	143,127
Local Government Aid	45,906	47,162	47,162	-
State Police Aid	13,234	29,150	41,655	12,505
Other State Aids	741	741	741	-
Total Intergovernmental	<u>59,881</u>	<u>77,053</u>	<u>232,685</u>	<u>155,632</u>
Charges for Services				
Other Charges for Services	6,000	6,000	8,045	2,045
Interest on Investments	7,000	7,000	10	(6,990)
Miscellaneous				
Donations	-	-	11,100	11,100
Other Miscellaneous Income	103,463	140,844	59,235	(81,609)
Total Miscellaneous	<u>103,463</u>	<u>140,844</u>	<u>70,335</u>	<u>(70,509)</u>
Total Revenues	<u>343,388</u>	<u>398,067</u>	<u>473,498</u>	<u>75,431</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government				
Mayor and City Council	10,500	10,500	9,750	(750)
City Clerk and Treasurer	73,993	75,249	64,378	(10,871)
Attorney Fees	-	-	624	624
City Hall	103,963	103,963	116,866	12,903
Professional Services	26,000	26,834	16,154	(10,680)
Tourism	2,000	2,000	4,481	2,481
Total General Government	<u>216,456</u>	<u>218,546</u>	<u>212,253</u>	<u>(6,293)</u>
Public Safety				
Police Protection	3,600	-	3,600	3,600
Fire Protection	29,500	29,500	29,500	-
Total Public Safety	<u>33,100</u>	<u>29,500</u>	<u>33,100</u>	<u>3,600</u>
Streets and Highways				
Street Lighting	12,000	12,000	10,414	(1,586)
Street Maintenance	25,000	25,000	15,354	(9,646)
Total Streets and Highway	<u>37,000</u>	<u>37,000</u>	<u>25,768</u>	<u>(11,232)</u>
Culture and Recreation				
Park	32,863	38,757	44,412	5,655
Housing and Economic Development				
Economic Development	6,334	40,217	132,032	91,815
Other Expenditures				
Miscellaneous	-	-	31	31
<b>CAPITAL OUTLAY</b>				
Streets and Highways	28,000	42,216	-	(42,216)
Culture and Recreation	39,635	41,831	43,664	1,833
Total Capital Outlay	<u>67,635</u>	<u>84,047</u>	<u>43,664</u>	<u>(40,383)</u>
Total Expenditures	<u>393,388</u>	<u>448,067</u>	<u>491,260</u>	<u>43,193</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(50,000)	(50,000)	(17,762)	32,238
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	50,000	50,000	40,000	(10,000)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>22,238</u>	<u>\$ 22,238</u>
Fund Balance - Beginning of Year			85,421	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 107,659</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**CITY OF RANIER, MINNESOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DECEMBER 31, 2015**

	Measurement Date <u>June 30, 2015</u>
City's Proportion of the Net Pension Liability	0.0035%
City's Proportionate Share of the Net Pension Liability	\$ 181,389
City's Covered-Employee Payroll	\$ 208,365
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	87.05%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS  
DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>PERA</b>		
Contractually Required Contribution	\$ 15,857	\$ 13,711
Contributions in Relation to the Contractually Required Contribution	<u>(15,857)</u>	<u>(13,711)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 211,427	\$ 189,117
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%

**CITY OF RANIER, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION  
DECEMBER 31, 2015**

**I. BUDGETARY INFORMATION**

The City of Ranier follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Public hearings are conducted at the Council's chambers in the municipal building.
- b. On or before December 28, the final budget is legally enacted by Council resolution and the final property tax levy certified to the County Auditor.
- c. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council.
- d. The City has legally adopted budgets for the General Fund. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the department level. All amounts over budget have been approved by the City Council through the disbursement process. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City is not legally required to adopt an annual budget for any funds other than the General Fund.
- e. Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

**II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At December 31, 2015, the City's General Fund had expenditures of \$491,260, which exceed the final budgeted expenditures of \$448,067 by \$43,193. These excess expenditures were primarily funded by existing fund balance and a transfer from the Liquor Store Fund.

## **SUPPLEMENTARY INFORMATION**



**CITY OF RANIER, MINNESOTA**  
**BALANCE SHEETS**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**DECEMBER 31, 2015**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 274,681	\$ 332,755
Trade Accounts Receivable - Net	29,482	27,357
Prepaid Items	618	507
Total Current Assets	304,781	360,619
<b>NONCURRENT ASSETS</b>		
Capital Assets		
Infrastructure	2,943,652	2,943,652
Accumulated Depreciation	(1,014,871)	(961,004)
Total Noncurrent Assets	1,928,781	1,982,648
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	2,201	-
Total Assets and Deferred Outflows of Resources	2,235,763	2,343,267
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	13,716	15,981
Salaries and Benefits Payable	-	842
Accrued Interest Payable	36,180	36,720
Compensated Absences - Due Within One Year	171	167
Bonds, Notes, and Capital Leases		
Payable - Due Within One Year	19,000	18,000
Total Current Liabilities	69,067	71,710
<b>NONCURRENT LIABILITIES</b>		
Net Pension Liability - Due in More than One Year	15,890	-
Compensated Absences Payable - Due in More than One Year	686	253
Bonds, Notes, and Capital Lease		
Payable - Due in More than One Year	1,169,000	1,188,000
Total Noncurrent Liabilities	1,185,576	1,188,253
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	801	-
Total Liabilities and Deferred Inflows of Resources	1,255,444	1,259,963
<b>NET POSITION</b>		
Net Investment in Capital Assets	704,601	739,927
Unrestricted	275,718	343,377
Total Net Position	\$ 980,319	\$ 1,083,304

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**YEAR ENDED DECEMBER 31, 2015**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015	2014
<b>OPERATING REVENUES</b>		
Sales and Charges for Services	\$ 272,453	\$ 258,120
<b>OPERATING EXPENSES</b>		
Wages and Benefits	39,856	33,253
Water Purchased	161,827	168,666
Contracted Sewer Treatment	22,400	23,844
Maintenance	13,657	7,507
Supplies	10,578	5,432
Legal and Professional Fees	7,167	4,142
Insurance	2,047	2,110
Depreciation	53,867	53,867
Miscellaneous	4,352	5,186
Total Operating Expenses	315,751	304,007
<b>OPERATING INCOME (LOSS)</b>	(43,298)	(45,887)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Expense and Fiscal Charges	(35,640)	(36,720)
Other Revenue	2,839	775
Interest Revenue	693	637
Total Nonoperating Revenues (Expenses)	(32,108)	(35,308)
Income (Loss) before Transfers and Capital Contributions	(75,406)	(81,195)
Transfers Out	(13,834)	(12,620)
<b>CHANGE IN NET POSITION</b>	(89,240)	(93,815)
Net Position - Beginning of Year	1,083,304	1,177,119
Prior Period Adjustment (See Note 7)	(13,745)	-
Net Position - Beginning of Year, as Restated	1,069,559	1,177,119
<b>NET POSITION - END OF YEAR</b>	\$ 980,319	\$ 1,083,304



**CITY OF RANIER, MINNESOTA**  
**BALANCE SHEETS**  
**LIQUOR STORE FUND**  
**DECEMBER 31, 2015**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 89,919	\$ 106,499
Trade Accounts Receivable - Net	185	71
Inventories	19,613	20,470
Prepaid Items	2,114	3,530
Total Current Assets	111,831	130,570
<b>NONCURRENT ASSETS</b>		
Capital Assets		
Land	976	976
Construction in Progress	11,020	-
Buildings	183,841	183,841
Machinery and Equipment	32,668	32,668
Accumulated Depreciation	(210,671)	(210,334)
Total Noncurrent Assets	17,834	7,151
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	10,134	-
Total Assets and Deferred Outflows of Resources	139,799	137,721
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	12,692	18,088
Salaries and Benefits Payable	3,595	3,595
Compensated Absences - Due Within One Year	620	429
Total Current Liabilities	16,907	22,112
<b>NONCURRENT LIABILITIES</b>		
Net Pension Liability - Due in More than One Year	73,154	-
Compensated Absences Payable - Due in More than One Year	6,628	7,893
Total Noncurrent Liabilities	79,782	7,893
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	3,688	-
Total Liabilities and Deferred Inflows of Resources	100,377	30,005
<b>NET POSITION</b>		
Net Investment in Capital Assets Unrestricted	6,815	7,152
	32,607	100,564
Total Net Position	\$ 39,422	\$ 107,716

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**LIQUOR STORE FUND**  
**YEAR ENDED DECEMBER 31, 2015**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015	2014
<b>OPERATING REVENUES</b>		
Sales and Charges for Services	\$ 446,265	\$ 451,019
Cost of Sales	181,871	187,702
Gross Profit	264,394	263,317
<b>OPERATING EXPENSES</b>		
Wages and Benefits	129,574	122,919
Maintenance	6,012	13,695
Utilities	14,104	14,513
Supplies	8,453	8,824
Legal and Professional Fees	8,266	4,802
Insurance	22,644	15,868
Depreciation	337	4,630
Miscellaneous	15,140	14,123
Total Operating Expenses	204,530	199,374
<b>OPERATING INCOME (LOSS)</b>	59,864	63,943
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue	3,567	3,586
Interest Revenue	23	19
Total Nonoperating Revenues (Expenses)	3,590	3,605
Income (Loss) before Transfers and Capital Contributions	63,454	67,548
Transfers Out	(68,468)	(40,000)
<b>CHANGE IN NET POSITION</b>	(5,014)	27,548
Net Position - Beginning of Year	107,716	80,168
Prior Period Adjustment (See Note 7)	(63,280)	-
Net Position - Beginning of Year, as Restated	44,436	80,168
<b>NET POSITION - END OF YEAR</b>	\$ 39,422	\$ 107,716

## **OTHER REPORTS SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and  
Members of the City Council  
City of Ranier  
Ranier, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ranier (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Ranier's basic financial statements, and have issued our report thereon dated February 17, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Ranier's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ranier's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ranier's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001 through 2015-004 to be material weaknesses.

### **Compliance and Other Matters**

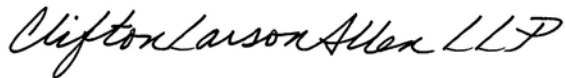
As part of obtaining reasonable assurance about whether the City of Ranier's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Ranier's Responses to Findings**

The City of Ranier's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Ranier's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
February 17, 2016

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and  
Members of the City Council  
City of Ranier  
Ranier, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ranier (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven main 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.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Ranier, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the Schedule of Findings and Responses as item 2015-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Ranier's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
February 17, 2016

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**CITY OF RANIER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2015**

**MATERIAL WEAKNESSES:**

2015-001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

**Criteria:** Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

**Condition:** The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures, are complete, and presented in accordance with GAAP.

**Context:** Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

**Cause:** The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Possible Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls in the normal course of business.

**Recommendation:** Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**Management Response:** The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

**MATERIAL WEAKNESSES (CONTINUED):**

2015-002 Lack of Segregation of Duties

**Criteria:** Generally, a system of internal control contemplates separation of duties such that an individual has responsibility to execute a transaction, have physical access to the related assets, and has responsibility or authority to record the transaction.

**Condition:** There is a lack of sufficient segregation of duties within the city as the City Administrator has access to the general ledger, access to physical assets, signature authority on bank accounts, and authority to record transactions.

**Context:** Management has informed us the size and budget of the City limit the number of personnel performing these duties.

**Cause:** Size and budget constraints limit the number of personnel within the City office.

**Possible Effect:** The lack of segregation within incompatible duties could adversely affect the City's ability to initiate, authorize, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This could include the lack of the ability to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

**Recommendation:** We recommend the accounting responsibilities should be reviewed periodically and consideration be given to improving the segregation of duties. We acknowledge the fact that the City's opportunity for improving segregation of duties is limited by cost-benefit consideration.

**Management Response:** The City will continue to explore the possibility of further segregation of duties within the City while simultaneously considering the costs and benefits of increased segregation.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

**MATERIAL WEAKNESSES (CONTINUED):**

2015-003 Material Audit Adjustments

**Criteria:** City management is responsible for establishing and maintaining internal controls for the proper recording of all the City's receipts and disbursements.

**Condition:** As part of the audit, we proposed account reclassification entries relating to the coding of receipts and disbursements, accruals and recording the effect of prior period accruals, capital asset adjustments, and other reclassifications. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

**Context:** Management has stated the City has a limited number of personnel to perform the required entries for the year-end financial reporting process.

**Cause:** The City has a limited number of personnel.

**Possible Effect:** The design of the internal controls over recording receipts and disbursements, including reclassifications, could affect the City's ability to detect or prevent a misappropriation of assets or fraudulent activity.

**Recommendation:** We recommend City management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

**Management Response:** City management will work on eliminating the need for audit adjustments.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

**MATERIAL WEAKNESSES (CONTINUED):**

2015-004 Controls Over Journal Entry Process

**Criteria:** Standard internal controls suggest all journal entries performed be reviewed by someone other than the preparer.

**Condition:** During testing of journal entries, it was noted there is no review or approval process over journal entries.

**Context:** Management has informed us that they do not have an internal control policy in place over the review and approval of journal entries.

**Cause:** Unknown

**Possible Effect:** The design of the controls over the journal entry process would affect the ability of the City to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

**Recommendation:** We recommend City management review the controls over the journal entry process and ensure journal entries are being reviewed by someone other than the preparer.

**Management Response:** City management will work on developing policies and procedures to implement that ensure all journal entries are properly reviewed and approved.

**OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

2015-005 Electronic Approvals Policies and Procedures

**Criteria:** Minnesota Statutes §471.381 requires the City to establish policies and procedures to ensure the validity of electronic approvals.

**Condition:** During testing of disbursements, it was noted there is no formally approved policies or procedures over the use of electronic payments.

**Context:** Management has informed us that they do not have formally approved policies or procedures over the use of electronic payments.

**Cause:** Unknown

**Effect:** The City is not in compliance with Minnesota State Statutes.

**Recommendation:** We recommend the City develop and formally approve policies and procedures over electronic payments as required by state statute.

**Management Response:** City management has started, and will continue developing policies and procedures over electronic payments to provide to the Council for formal approval.