

**CITY OF RANIER, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2022**

**CITY OF RANIER, MINNESOTA  
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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ranier, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Ranier's basic financial statements as listed in the table of contents.

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, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Ranier and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

Honorable Mayor and  
Members of the City Council  
City of Ranier

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



Honorable Mayor and  
Members of the City Council  
City of Ranier

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule general fund, schedule of the city's proportionate share of the net position liability, and schedule of city contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ranier's 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  
March 30, 2023

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF RANIER, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 465,035	\$ 222,088	\$ 687,123
Restricted Cash	-	30,000	30,000
Taxes Receivable:			
Delinquent	4,875	-	4,875
Special Assessments Receivable:			
Noncurrent	13,418	-	13,418
Accounts Receivable - Net	15,648	40,375	56,023
Other Receivables	-	3,190	3,190
Inventories	-	29,217	29,217
Prepaid Items	2,138	2,292	4,430
Capital Assets not Being Depreciated/Amortized:			
Land	-	976	976
Construction-in-Progress	310,034	-	310,034
Capital Assets Being Depreciated/Amortized:			
Buildings	367,727	295,312	663,039
Infrastructure	370,509	2,966,499	3,337,008
Machinery and Equipment	48,544	32,668	81,212
Right-to-Use Assets	84,822	-	84,822
Accumulated Depreciation/Amortization	(275,619)	(1,631,947)	(1,907,566)
Total Assets	<u>1,407,131</u>	<u>1,990,670</u>	<u>3,397,801</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	38,580	49,704	88,284
<b>LIABILITIES</b>			
Accounts Payable	43,512	37,003	80,515
Retainage Payable	11,630	-	11,630
Salaries and Benefits Payable	6,657	2,121	8,778
Accrued Interest Payable	4,255	-	4,255
Unearned Revenue	-	5,252	5,252
Bonds Payable - Due Within One Year	71,000	23,000	94,000
Leases Payable - Due Within One Year	18,378	-	18,378
Compensated Absences Payable - Due Within One Year	6,223	3,403	9,626
Net Pension Liability - Due in More Than One Year	117,675	151,606	269,281
Bonds Payable - Due in More Than One Year	461,486	1,021,000	1,482,486
Leases Payable - Due in More Than One Year	51,671	-	51,671
Compensated Absences Payable - Due in More Than One Year	6,906	5,670	12,576
Total Liabilities	<u>799,393</u>	<u>1,249,055</u>	<u>2,048,448</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	<u>1,734</u>	<u>2,238</u>	<u>3,972</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	380,564	619,508	1,000,072
Restricted for:			
Debt Service	85,947	30,000	115,947
Lodging Tax	5,714	-	5,714
Capital Projects	51,599	-	51,599
Unrestricted	<u>120,760</u>	<u>139,573</u>	<u>260,333</u>
Total Net Position	<u>\$ 644,584</u>	<u>\$ 789,081</u>	<u>\$ 1,433,665</u>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 390,934	\$ 14,138	\$ 299,225	\$ -
Public Safety	31,000	-	-	-
Streets and Highways	59,263	-	-	-
Culture and Recreation	61,634	-	52,800	-
Economic Development	10,778	-	50,738	-
Interest	14,400	-	-	-
Total Governmental Activities	568,009	14,138	402,763	-
Business-Type Activities:				
Liquor Store	489,463	529,435	-	-
Water	383,963	367,523	-	-
Total Business-Type Activities	873,426	896,958	-	-
Total Primary Government	\$ 1,441,435	\$ 911,096	\$ 402,763	\$ -

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>			
Primary Government:			
Governmental Activities:			
General Government	\$ (77,571)	\$ -	\$ (77,571)
Public Safety	(31,000)	-	(31,000)
Streets and Highways	(59,263)	-	(59,263)
Culture and Recreation	(8,834)	-	(8,834)
Economic Development	39,960	-	39,960
Interest	(14,400)	-	(14,400)
Total Governmental Activities	(151,108)	-	(151,108)
Business-Type Activities:			
Liquor Store	-	39,972	39,972
Water	-	(16,440)	(16,440)
Total Business-Type Activities	-	23,532	23,532
Total Primary Government	(151,108)	23,532	(127,576)
General Revenues:			
Property Taxes	229,010	-	229,010
Franchise Taxes	1,000	-	1,000
Lodging Taxes	36,030	-	36,030
Grants and Contributions Not Restricted for a Particular Purpose	57,523	-	57,523
Investment Earnings	121	738	859
Miscellaneous	18,574	-	18,574
Transfers	20,000	(20,000)	-
Total General Revenues	362,258	(19,262)	342,996
<b>CHANGES IN NET POSITION</b>	211,150	4,270	215,420
Net Position - Beginning of Year	433,434	784,811	1,218,245
<b>NET POSITION - END OF YEAR</b>	<u>\$ 644,584</u>	<u>\$ 789,081</u>	<u>\$ 1,433,665</u>

See accompanying Notes to Financial Statements.

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## **FUND FINANCIAL STATEMENTS**

**CITY OF RANIER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General Fund	2012A GO Improvement Bond Fund	2018A GO Street Reconstruction Note Fund	2021A GO Street Reconstruction Refunding Fund
<b>ASSETS</b>				
Cash and Investments	\$ 271,200	\$ 76,714	\$ -	\$ 70
Taxes Receivable:				
Delinquent	4,875	-	-	-
Special Assessments Receivable	-	13,418	-	-
Accounts Receivable	15,648	-	-	-
Prepaid Items	2,138	-	-	-
	<u>2,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 293,861</u>	<u>\$ 90,132</u>	<u>\$ -</u>	<u>\$ 70</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 43,512	\$ -	\$ -	\$ -
Retainage Payable	11,630	-	-	-
Salaries and Benefits Payable	6,657	-	-	-
Total Liabilities	<u>61,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	4,875	-	-	-
Unavailable Revenue - Special Assessments	-	7,821	-	-
Total Deferred Inflows of Resources	<u>4,875</u>	<u>7,821</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable Prepaid Items	2,138	-	-	-
Restricted for Debt Repayment	-	82,311	-	70
Restricted for Capital Projects	-	-	-	-
Restricted for Lodging Tax	5,714	-	-	-
Unassigned	219,335	-	-	-
Total Fund Balances	<u>227,187</u>	<u>82,311</u>	<u>-</u>	<u>70</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 293,861</u>	<u>\$ 90,132</u>	<u>\$ -</u>	<u>\$ 70</u>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2022**

<b>ASSETS</b>	<u>Capital Project CR 130 Fund</u>	<u>General Road Improvement Fund</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 65,452	\$ 51,599	\$ 465,035
Taxes Receivable:			
Delinquent	-	-	4,875
Special Assessments Receivable	-	-	13,418
Accounts Receivable	-	-	15,648
Prepaid Items	-	-	2,138
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 65,452</u>	<u>\$ 51,599</u>	<u>\$ 501,114</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 43,512
Retainage Payable	-	-	11,630
Salaries and Benefits Payable	-	-	6,657
Total Liabilities	<hr/>	<hr/>	<hr/>
	-	-	61,799
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	-	-	4,875
Unavailable Revenue - Special Assessments	-	-	7,821
Total Deferred Inflows of Resources	<hr/>	<hr/>	<hr/>
	-	-	12,696
<b>FUND BALANCES</b>			
Nonspendable Prepaid Items	-	-	2,138
Restricted for Debt Repayment	-	-	82,381
Restricted for Capital Projects	65,452	51,599	117,051
Restricted for Lodging Tax	-	-	5,714
Unassigned	-	-	219,335
Total Fund Balances	<hr/>	<hr/>	<hr/>
	65,452	51,599	426,619
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 65,452</u>	<u>\$ 51,599</u>	<u>\$ 501,114</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, 2022**

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 426,619

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. 906,017

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	\$ (117,675)	
Deferred Inflows of Resources - Pension Related	(1,734)	
Deferred Outflows of Resources - Pension Related	<u>38,580</u>	(80,829)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds. 12,696

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	(532,486)	
Lease Obligations	(70,049)	
Accrued Compensated Absences	(13,129)	
Accrued Interest Payable on General Obligation Bonds	<u>(4,255)</u>	<u>(619,919)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 644,584**

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**

	General Fund	2012A GO Improvement Bond Fund	2018A GO Street Reconstruction Bond Fund	2021A GO Street Reconstruction Refunding Fund
<b>REVENUES</b>				
Taxes	\$ 277,277	\$ -	\$ -	\$ -
Special Assessments	-	37,682	-	-
Licenses and Permits	4,713	-	-	-
Intergovernmental	399,462	-	-	-
Charges for Services	9,425	-	-	-
Gifts and Contributions	52,850	-	-	-
Interest on Investments	121	-	-	-
Miscellaneous	2,026	-	-	-
Total Revenues	<u>745,874</u>	<u>37,682</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	254,407	-	-	-
Public Safety	31,000	-	-	-
Streets and Highways	53,211	-	-	-
Culture and Recreation	56,577	-	-	-
Housing and Economic Development	14,094	-	-	-
Other	34,720	90	-	-
Capital Outlay:				
General Government	378,181	-	-	-
Debt Service:				
Principal	14,773	40,000	-	26,000
Interest and Other Charges	1,120	5,220	-	7,220
Total Expenditures	<u>838,083</u>	<u>45,310</u>	<u>-</u>	<u>33,220</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(92,209)	(7,628)	-	(33,220)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	20,000	-	-	33,220
Transfers Out	(10,000)	-	-	-
Issuance of Capital Lease	59,838	-	-	-
Total Other Financing Sources (Uses)	<u>69,838</u>	<u>-</u>	<u>-</u>	<u>33,220</u>
<b>NET CHANGE IN FUND BALANCES</b>	(22,371)	(7,628)	-	-
Fund Balance - Beginning of Year	<u>249,558</u>	<u>89,939</u>	<u>-</u>	<u>70</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 227,187</u>	<u>\$ 82,311</u>	<u>\$ -</u>	<u>\$ 70</u>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**

	Capital Project <u>CR 130 Fund</u>	General Road Improvement <u>Fund</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 277,277
Special Assessments	-	-	37,682
Licenses and Permits	-	-	4,713
Intergovernmental	-	-	399,462
Charges for Services	-	-	9,425
Gifts and Contributions	-	-	52,850
Interest on Investments	-	-	121
Miscellaneous	-	-	2,026
Total Revenues	<u>-</u>	<u>-</u>	<u>783,556</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	254,407
Public Safety	-	-	31,000
Streets and Highways	-	-	53,211
Culture and Recreation	-	-	56,577
Housing and Economic Development	-	-	14,094
Other	-	-	34,810
Capital Outlay:			
General Government	-	-	378,181
Debt Service:			
Principal	-	-	80,773
Interest and Other Charges	-	-	13,560
Total Expenditures	<u>-</u>	<u>-</u>	<u>916,613</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	(133,057)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	10,000	63,220
Transfers Out	(33,220)	-	(43,220)
Issuance of Capital Lease	-	-	59,838
Total Other Financing Sources (Uses)	<u>(33,220)</u>	<u>10,000</u>	<u>79,838</u>
<b>NET CHANGE IN FUND BALANCES</b>	(33,220)	10,000	(53,219)
Fund Balance - Beginning of Year	<u>98,672</u>	<u>41,599</u>	<u>479,838</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 65,452</u>	<u>\$ 51,599</u>	<u>\$ 426,619</u>

See accompanying Notes to Financial Statements.

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**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, 2022**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (53,219)

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	\$ 352,361	
Current Year Depreciation/Amortization	<u>(37,578)</u>	314,783

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. (6,364)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (46,947)

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The proceeds, net of issuance costs, for debt issuance are:

Lease Proceeds (59,838)

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	66,000	
Capital Lease	<u>14,773</u>	80,773

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	1,548	
Amortization of Premiums	191	
Change in Lease Obligations	(18,739)	
Change in Compensated Absences	<u>(1,038)</u>	<u>(18,038)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 211,150

**CITY OF RANIER, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

<b>ASSETS</b>	Water and Sewer Utility Enterprise Fund	Liquor Store Fund	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 110,606	\$ 111,482	\$ 222,088
Restricted Cash	30,000	-	30,000
Trade Accounts Receivable - Net	40,375	-	40,375
Other Receivables	3,190	-	3,190
Inventories	-	29,217	29,217
Prepaid Items	413	1,879	2,292
Total Current Assets	<u>184,584</u>	<u>142,578</u>	<u>327,162</u>
<b>NONCURRENT ASSETS</b>			
Capital Assets:			
Land	-	976	976
Buildings	-	295,312	295,312
Infrastructure	2,966,499	-	2,966,499
Machinery and Equipment	-	32,668	32,668
Accumulated Depreciation	<u>(1,394,386)</u>	<u>(237,561)</u>	<u>(1,631,947)</u>
Total Noncurrent Assets	<u>1,572,113</u>	<u>91,395</u>	<u>1,663,508</u>
Total Assets	1,756,697	233,973	1,990,670
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	12,943	36,761	49,704
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	17,232	19,771	37,003
Salaries and Benefits Payable	1,233	888	2,121
Unearned Revenue	5,252	-	5,252
Compensated Absences - Due Within One Year	565	2,838	3,403
Bonds and Notes Payable - Due Within One Year	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Total Current Liabilities	47,282	23,497	70,779
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	39,477	112,129	151,606
Compensated Absences Payable - Due in More Than One Year	-	5,670	5,670
Bonds, Notes, and Leases Payable - Due in More Than One Year	<u>1,021,000</u>	<u>-</u>	<u>1,021,000</u>
Total Noncurrent Liabilities	<u>1,060,477</u>	<u>117,799</u>	<u>1,178,276</u>
Total Liabilities	1,107,759	141,296	1,249,055
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	583	1,655	2,238
<b>NET POSITION</b>			
Net Investment in Capital Assets	528,113	91,395	619,508
Restricted	30,000	-	30,000
Unrestricted	<u>103,185</u>	<u>36,388</u>	<u>139,573</u>
Total Net Position	<u>\$ 661,298</u>	<u>\$ 127,783</u>	<u>\$ 789,081</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, 2022**

	Water and Sewer Utility Enterprise Fund	Liquor Store Fund	Total
<b>OPERATING REVENUES</b>			
Sales and Charges for Services	\$ 365,924	\$ 507,648	\$ 873,572
Cost of Sales	-	(198,156)	(198,156)
<b>GROSS PROFIT</b>	365,924	309,492	675,416
<b>OPERATING EXPENSES</b>			
Wages and Benefits	48,765	144,964	193,729
Power Purchased	249,344	-	249,344
Transportation Services	-	300	300
Maintenance	15,282	21,442	36,724
Utilities	3,140	20,647	23,787
Supplies	2,514	21,821	24,335
Legal and Professional Fees	6,299	9,268	15,567
Office	-	9,092	9,092
Insurance	2,331	9,643	11,974
Depreciation	54,513	5,131	59,644
Miscellaneous	1,775	48,999	50,774
Total Operating Expenses	383,963	291,307	675,270
<b>OPERATING INCOME (LOSS)</b>	(18,039)	18,185	146
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Other Revenue	1,599	21,787	23,386
Interest Revenue	665	73	738
Total Nonoperating Revenues	2,264	21,860	24,124
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(15,775)	40,045	24,270
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	-	(20,000)	(20,000)
<b>CHANGE IN NET POSITION</b>	(15,775)	20,045	4,270
Net Position - Beginning of Year	677,073	107,738	784,811
<b>NET POSITION - END OF YEAR</b>	\$ 661,298	\$ 127,783	\$ 789,081

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Water and Sewer Utility Enterprise Fund	Liquor Store Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 366,945	\$ 507,648	\$ 874,593
Payments to Suppliers	(283,215)	(345,725)	(628,940)
Payments to Employees	(46,039)	(137,822)	(183,861)
Net Cash Provided by Operating Activities	<u>37,691</u>	<u>24,101</u>	<u>61,792</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers Out	-	(20,000)	(20,000)
Other Miscellaneous Receipts	1,599	21,787	23,386
Net Cash Provided by Noncapital Financing Activities	<u>1,599</u>	<u>1,787</u>	<u>3,386</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received	665	73	738
Net Cash Provided by Investing Activities	<u>665</u>	<u>73</u>	<u>738</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	39,955	25,961	65,916
Cash and Cash Equivalents - Beginning of Year	<u>100,651</u>	<u>85,521</u>	<u>186,172</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 140,606</u>	<u>\$ 111,482</u>	<u>\$ 252,088</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (18,039)	\$ 18,185	\$ 146
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	54,513	5,131	59,644
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	1,464	-	1,464
Inventory	-	(3,989)	(3,989)
Prepaid Items	119	(325)	(206)
Deferred Outflows of Resources	1,522	2,824	4,346
Due from Other Funds	921	-	921
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	(2,649)	(2,043)	(4,692)
Salaries and Benefits Payable	(535)	(4,467)	(5,002)
Unearned Revenue	(1,364)	-	(1,364)
Compensated Absences Payable	(327)	(1,033)	(1,360)
Net Pension Liability	19,676	57,946	77,622
Deferred Inflows of Resources	(17,610)	(48,128)	(65,738)
Total Adjustments	<u>55,730</u>	<u>5,916</u>	<u>61,646</u>
Net Cash Provided by Operating Activities	<u>\$ 37,691</u>	<u>\$ 24,101</u>	<u>\$ 61,792</u>

See accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 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. A summary of the City's significant 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.

**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. 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.

Generally, 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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**B. Government-Wide and Fund Financial Statements (Continued)**

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 leases are reported as other financing sources.

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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**C. Measurement Focus and Basis of Accounting (Continued)**

The City reports the following major governmental funds:

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.

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

2018A GO Street Reconstruction Bond Fund – accounts for the accumulation of resources and payment of General Obligation Street Reconstruction Note, Series 2018A.

2021A GO Street Reconstruction Refunding Fund – accounts for the accumulation of resources and payment of General Obligation Street Refunding Reconstruction Note, Series 2021A.

County Road 130 Capital Project Fund – accounts for the accumulation of resources and payment for the road reconstruction on County Road 130.

General Road Improvement Fund – accounts for the accumulation of resources and payment for general road improvements.

The City reports the following major proprietary funds:

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

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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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**

**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. 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, 2022. Delinquent accounts are assessed through the property tax system.

**3. 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.

**4. 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.

**5. Prepaid Items**

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



**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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)**

**6. 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 acquisition 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:

Buildings and Improvements	10 to 40 Years
Machinery and Equipment	5 to 15 Years
Infrastructure	40 Years

**7. 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.

**8. 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.

**9. 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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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)**

**9. Long-Term Obligations (Continued)**

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.

**10. 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. 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.

**11. Leases**

The City determines if an arrangement is a lease at inception. Leases are included in right-to-use assets and lease liabilities in the statement of net position.

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

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

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

The City has recognized payments for short-term leases with a lease term of 12 months or less as expenses are incurred, and these leases are not included as lease liabilities or right-to-use assets on the statement of net position.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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)**

**11. Leases (Continued)**

The City accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the City treats the components as a single lease unit.

**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.

**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. When an expenditure is incurred, it is the City's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes when committed, assigned, and unassigned fund balance is available for use, it is the City's policy to use committed, assigned, and finally unassigned amounts.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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)**

**13. Fund Balance and Net Position (Continued)**

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.

**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 of resources.

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 in the period for which it is levied. 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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**E. Revenues, Expenditures, and Expenses (Continued)**

**1. Revenues (Continued)**

Property Tax Collection Calendar (Continued)

Within 30 days after the May settlement, the County Treasurer is required to pay 70% 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 10 business days after November 15, the County Treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**G. Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating and capital leases and as inflows of resources or outflows of resources recognized based on the provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The General fund had expenditures in excess of budget as of December 31, 2022. Total budgeted expenditures in the general fund were \$598,187. Total expenditures of \$838,083 exceeded budget by \$239,896. These excess expenditures were paid for by greater than anticipated revenues related to state aid and donations.

**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. Total interest earnings for 2022 were \$859.

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% 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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**A. Assets (Continued)**

**Cash and Investments (Continued)**

Deposits (Continued)

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, 2022, all of the City’s deposits were fully insured, collateralized and/or covered by an irrevocable stand by Letter of Credit, as required by Minnesota Statutes §118A.03.

The City does not have a formal investment policy.

**B. Capital Assets**

Capital asset activity for the Primary Government for the year ended December 31, 2022 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	Beginning Balance **	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 23,211	\$ 286,823	\$ -	\$ 310,034
Capital Assets Being Depreciated/Amortized:				
Buildings	362,027	5,700	-	367,727
Infrastructure	370,509	-	-	370,509
Machinery and Equipment	48,544	-	-	48,544
Right-to-Use Assets	24,984	59,838	-	84,822
Total Capital Assets Being Depreciated/Amortized	<u>806,064</u>	<u>65,538</u>	<u>-</u>	<u>871,602</u>
Less: Accumulated Depreciation/Amortization for:				
Buildings	204,194	12,027	-	216,221
Infrastructure	13,620	9,261	-	22,881
Machinery and Equipment	20,227	4,629	-	24,856
Right-to-Use Assets	-	11,661	-	11,661
Total Accumulated Depreciation/Amortization	<u>238,041</u>	<u>37,578</u>	<u>-</u>	<u>275,619</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>568,023</u>	<u>27,960</u>	<u>-</u>	<u>595,983</u>
Governmental Activities Capital Assets, Net	<u>\$ 591,234</u>	<u>\$ 314,783</u>	<u>\$ -</u>	<u>\$ 906,017</u>

\*\*The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**B. Capital Assets (Continued)**

The following is a summary of the Proprietary Fund capital assets at December 31, 2022:

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 976	\$ -	\$ -	\$ 976
Capital Assets Being Depreciated:				
Buildings	295,312	-	-	295,312
Infrastructure	2,966,499	-	-	2,966,499
Machinery and Equipment	32,668	-	-	32,668
Total Capital Assets Being Depreciated	<u>3,294,479</u>	<u>-</u>	<u>-</u>	<u>3,294,479</u>
Less: Accumulated Depreciation for:				
Buildings:	199,762	5,131	-	204,893
Infrastructure	1,339,873	54,513	-	1,394,386
Machinery and Equipment	32,668	-	-	32,668
Total Accumulated Depreciation	<u>1,572,303</u>	<u>59,644</u>	<u>-</u>	<u>1,631,947</u>
Total Capital Assets Being Depreciated, Net	<u>1,722,176</u>	<u>(59,644)</u>	<u>-</u>	<u>1,662,532</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,723,152</u>	<u>\$ (59,644)</u>	<u>\$ -</u>	<u>\$ 1,663,508</u>

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

Governmental Activities:	
General Government	\$ 32,412
Culture and Recreation	5,166
Total Depreciation Expense - Governmental Activities	<u>\$ 37,578</u>
Business-Type Activities:	
Liquor Enterprise	\$ 5,131
Water and Sewer Utility	54,513
Total Depreciation Expense - Business-Type Activities	<u>\$ 59,644</u>

**C. Interfund Receivables, Payables, and Transfers**

**Interfund Transfers**

The composition of interfund transfers as of December 31, 2022 consisted of a transfer of \$33,220 from Street reconstruction project to 2021A GO Improvement refunding bond for debt service. A transfer of \$10,000 from General Fund to General Road Improvement fund for future projects. An additional transfer of \$20,000 from Liquor Store Enterprise Fund to General Road Improvement fund for future projects.



**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**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.

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

	Authorized and Issued	Outstanding	Due in 2023 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	\$ 130,000	\$ 40,000
\$428,000 G.O. Street Reconstruction Refunding Note, Series 2021A, due in annual instalments of \$26,000 to \$36,000 through February 2034, interest at 1.650%, payable semiannually.	428,000	402,000	31,000
Total General Obligation Bonds, Including Refunding Bonds	908,000	532,000	71,000
Plus: Unamortized Premium	-	486	-
Total General Obligation Bonds - Net	908,000	532,486	71,000
Leases:			
Bobcat	20,106	11,684	8,713
Truck	59,838	55,544	7,558
Copier	4,877	2,821	2,107
Total Leases	84,821	70,049	18,378
Total Long-Term Debt - Governmental Activities	992,821	602,535	89,378
<b>BUSINESS-TYPE ACTIVITIES</b>			
<u>Revenue Bonds</u>			
\$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	1,044,000	23,000
Total Long-Term Debt - Business-Type Activities	1,241,000	1,044,000	23,000
Total Government-Wide Long-Term Liabilities	\$ 2,233,821	\$ 1,646,535	\$ 112,378

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**D. Liabilities (Continued)**

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

	** December 31, 2021	Additions	Retirements	December 31, 2022	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Debt	\$ 598,000	\$ -	\$ 66,000	\$ 532,000	\$ 71,000
Plus: Unamortized Premiums	677	-	191	486	-
Lease Obligations	24,984	59,838	14,773	70,049	18,378
Compensated Absences Payable	12,091	13,105	12,067	13,129	6,223
Total Governmental Activities	<u>\$ 635,752</u>	<u>\$ 72,943</u>	<u>\$ 93,031</u>	<u>\$ 615,664</u>	<u>\$ 95,601</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Notes	\$ 1,044,000	\$ -	\$ -	\$ 1,044,000	\$ 23,000
Compensated Absences Payable	10,433	9,158	10,518	9,073	3,403
Total Business-Type Activities	<u>\$ 1,054,433</u>	<u>\$ 9,158</u>	<u>\$ 10,518</u>	<u>\$ 1,053,073</u>	<u>\$ 26,403</u>

\*\*The beginning balance of lease obligations was restated due to the implementation of GASB Statement No. 87.

Compensated absences are paid as described in Note 1.

**4. Minimum Debt Payments**

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

<u>Year Ending December 31,</u>	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2023	\$ 71,000	\$ 9,402	\$ 80,402
2024	76,000	7,722	83,722
2025	77,000	5,965	82,965
2026	32,000	4,818	36,818
2027	33,000	4,282	37,282
2028-2032	171,000	13,076	184,076
2033-2034	72,000	1,188	73,188
Total	<u>\$ 532,000</u>	<u>\$ 46,453</u>	<u>\$ 578,453</u>
<u>Year Ending December 31,</u>	Business-Type Activities		
	Revenue Bonds		
	Principal	Interest	Total
2023	\$ 23,000	\$ 31,320	\$ 54,320
2024	24,000	30,630	54,630
2025	25,000	29,910	54,910
2026	25,000	29,160	54,160
2027	26,000	28,410	54,410
2028-2032	142,000	129,840	271,840
2033-2037	165,000	107,250	272,250
2038-2042	191,000	81,000	272,000
2043-2047	221,000	50,640	271,640
2048-2051	202,000	15,390	217,390
Total	<u>\$ 1,044,000</u>	<u>\$ 533,550</u>	<u>\$ 1,577,550</u>

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**D. Liabilities (Continued)**

**5. Lease Liabilities**

On August 15, 2018, the City entered into a 60-month lease for the lease of a Bobcat skid loader. The lease agreement requires monthly lease payments of \$8,950 which includes interest of 3.40%.

On April 10, 2020, the City entered into a 48-month lease for the lease of a copier. The lease agreement requires monthly lease payments of \$179 which includes interest of 2.44%.

On June 14, 2022, the City entered into a 72-month lease for the lease of a 2020 Chevrolet Silverado 2500 truck. The lease agreement requires monthly lease payments of \$9,257 which includes interest of 3.31%. Future lease payments for all leases are outlined below.

<u>Year Ending December 31,</u>	Governmental Activities		
	Leases		
	Principal	Interest	Total
2023	\$ 18,378	\$ 1,977	\$ 20,355
2024	11,496	1,460	12,956
2025	8,074	1,182	9,256
2026	8,345	911	9,256
2027	8,626	631	9,257
2028-2032	15,130	178	15,308
Total	\$ 70,049	\$ 6,339	\$ 76,388

**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.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**E. Risk Management (Continued)**

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 workers' compensation rates and salaries for the year ended December 31, 2022.

**NOTE 4 PENSION PLANS**

**Pension Description**

The City participates in a cost-sharing multiple-employer defined benefit pension plan 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 Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**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. 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.

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**Contributions**

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

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$18,530. The City's contributions were equal to the required contributions as set by state statute.

**Pension Costs**

At December 31, 2022, the City reported a liability of \$269,281 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$7,895.

The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0034% at the end of the measurement period and .0032% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 269,281
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	7,895
Total	<u>\$ 277,176</u>

For the year ended December 31, 2022, the City recognized pension expense of \$41,314 for its proportionate share of the General Employee Plan's pension expense. In addition, the City passed on recognizing an additional \$1,177 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

At December 31, 2022, the City reported its proportionate share of the General Employee's Plan 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	\$ 2,249	\$ 2,877
Changes in Actuarial Assumptions	60,943	1,095
Net Collective Difference Between Projected and Actual Investments Earnings	4,671	-
Changes in Proportion	11,382	-
City Contributions Subsequent to the Measurement Date	9,039	-
Total	<u>\$ 88,284</u>	<u>\$ 3,972</u>

The \$9,039 is reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2023	\$ 27,836
2024	28,886
2025	(5,801)
2026	24,352

**Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2022 was \$42,491.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Long-Term Expected Return of Investments**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

**Actuarial Assumptions**

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees through December 31, 2054 and 1.5% thereafter.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**Discount Rate**

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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:

<u>Description</u>	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount Rate	5.50%	6.50%	7.50%
City of Ranier's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 425,344	\$ 269,281	\$ 141,286

**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).



**CITY OF RANIER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022 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 April 2022, the City of Ranier entered into a contract with ServiceMaster to perform cleaning services. Requests for quotes for cleaning services were advertised in the International Falls Journal on March 25. Only one bid was received. The council approved Resolution 2022-08 – Authorizing the Contract with ServiceMaster of International Falls in a regular meeting held on April 19, 2022, with Council Member Coulombe abstaining from the vote. Contract term to continue annually unless terminated by either party.

In 2022, there were 12 related-party transactions between the City of Ranier and Council Member Todd Coulombe who is the owner of ServiceMaster of International Falls. Related-party transactions with Council Member Coulombe related to ServiceMaster totaled \$19,836 in 2022.

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

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**CITY OF RANIER, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 269,400	\$ 269,400	\$ 277,277	\$ 7,877
Licenses and Permits:				
Business License	3,200	3,200	3,238	38
Building Permits	500	500	1,475	975
Total Licenses and Permits	<u>3,700</u>	<u>3,700</u>	<u>4,713</u>	<u>1,013</u>
Intergovernmental:				
Federal	94,217	94,217	114,181	19,964
Local Government Aid	57,523	57,523	57,523	-
County Aid	11,330	11,330	11,333	3
Other State Aids	166,825	166,825	216,425	49,600
Total Intergovernmental	<u>329,895</u>	<u>329,895</u>	<u>399,462</u>	<u>69,567</u>
Charges for Services:				
Other Charges for Services	10,000	10,000	9,425	(575)
Gifts and Contributions	20,000	20,000	52,850	32,850
Interest on Investments	-	-	121	121
Miscellaneous:				
Other Miscellaneous Income	2,000	2,000	2,026	26
Total Revenues	<u>634,995</u>	<u>634,995</u>	<u>745,874</u>	<u>110,879</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government:				
Mayor and City Council	14,150	14,150	14,101	(49)
City Clerk and Treasurer	78,935	78,935	78,724	(211)
Attorney Fees	1,000	1,000	761	(239)
City Hall	77,513	77,513	104,324	26,811
Professional Services	20,380	20,380	20,776	396
Tourism	27,710	27,710	25,490	(2,220)
Miscellaneous	10,187	10,187	10,231	44
Total General Government	<u>229,875</u>	<u>229,875</u>	<u>254,407</u>	<u>24,532</u>
Public Safety:				
Fire Protection	31,000	31,000	31,000	-
Streets and Highways:				
Street Lighting	11,000	11,000	15,164	4,164
Street Maintenance	35,000	35,000	38,047	3,047
Total Streets and Highway	<u>46,000</u>	<u>46,000</u>	<u>53,211</u>	<u>7,211</u>
Culture and Recreation:				
Park	51,883	51,883	56,577	4,694
Housing and Economic Development:				
Economic Development	11,334	11,334	14,094	2,760
Other Expenditures:				
Miscellaneous	-	-	34,720	34,720

See accompanying Notes to Required Supplementary Information.

**CITY OF RANIER, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (CONTINUED)</b>				
<b>DEBT SERVICE</b>				
Principal	\$ -	\$ -	\$ 14,773	\$ 14,773
Interest and Other Charges	-	-	1,120	1,120
Total Debt Service	<u>-</u>	<u>-</u>	<u>15,893</u>	<u>15,893</u>
<b>CAPITAL OUTLAY</b>				
General Government	<u>228,095</u>	<u>228,095</u>	<u>378,181</u>	<u>150,086</u>
Total Expenditures	<u>598,187</u>	<u>598,187</u>	<u>838,083</u>	<u>239,896</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	36,808	36,808	(92,209)	(129,017)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	20,000	20,000	20,000	-
Transfers Out	(10,000)	(10,000)	(10,000)	-
Issuance of Capital Lease	-	-	59,838	59,838
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>69,838</u>	<u>59,838</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 46,808</u>	<u>\$ 46,808</u>	(22,371)	<u>\$ (69,179)</u>
Fund Balance - Beginning of Year			<u>249,558</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 227,187</u>	

See accompanying Notes to Required Supplementary Information.

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**CITY OF RANIER, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
LAST TEN YEARS**

	Measurement Date <u>June 30, 2022</u>	Measurement Date <u>June 30, 2021</u>	Measurement Date <u>June 30, 2020</u>
City's Proportion of the Net Pension Liability	0.0034%	0.0032%	0.0031%
City's Proportionate Share of the Net Pension Liability	\$ 269,281	\$ 136,654	\$ 185,859
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>\$ 7,895</u>	<u>\$ 4,176</u>	<u>\$ 5,739</u>
City's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	\$ 277,176	\$ 140,830	\$ 191,598
City's Covered Payroll	\$ 252,423	\$ 233,440	\$ 222,663
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.68%	58.54%	83.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.06%

NOTE: Information prior to 2015 is not available.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (CONTINUED)  
LAST TEN YEARS**

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>
City's Proportion of the Net Pension Liability	0.0031%	0.0030%	0.0035%
City's Proportionate Share of the Net Pension Liability	\$ 171,392	\$ 166,428	\$ 223,438
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>\$ 5,333</u>	<u>\$ 1,050</u>	<u>\$ 2,785</u>
City's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	\$ 176,725	\$ 167,478	\$ 226,223
City's Covered Payroll	\$ 228,924	\$ 203,537	\$ 223,458
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	74.87%	81.77%	99.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.50%	75.90%

NOTE: Information prior to 2015 is not available.



**CITY OF RANIER, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (CONTINUED)  
LAST TEN YEARS**

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
City's Proportion of the Net Pension Liability	0.0034%	0.0035%
City's Proportionate Share of the Net Pension Liability	\$ 276,064	\$ 181,389
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>\$ 3,605</u>	<u>\$ -</u>
City's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	\$ 279,669	\$ 181,389
City's Covered Payroll	\$ 203,059	\$ 208,365
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	135.95%	87.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%

NOTE: Information prior to 2015 is not available.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>PERA</b>			
Contractually Required Contribution	\$ 18,531	\$ 18,247	\$ 16,103
Contributions in Relation to the Contractually Required Contribution	<u>(18,531)</u>	<u>(18,247)</u>	<u>(16,103)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered Payroll	 \$ 247,063	 \$ 243,296	 \$ 214,704
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%

NOTE: Information prior to 2014 is not available.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS (CONTINUED)  
LAST TEN YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>PERA</b>			
Contractually Required Contribution	\$ 17,770	\$ 15,762	\$ 14,208
Contributions in Relation to the Contractually Required Contribution	<u>(17,770)</u>	<u>(15,762)</u>	<u>(14,208)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered Payroll	 \$ 236,928	 \$ 210,160	 \$ 189,421
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%

NOTE: Information prior to 2014 is not available.

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS (CONTINUED)  
LAST TEN YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA</b>			
Contractually Required Contribution	\$ 17,196	\$ 15,857	\$ 13,711
Contributions in Relation to the Contractually Required Contribution	<u>(17,196)</u>	<u>(15,857)</u>	<u>(13,711)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered Payroll	 \$ 229,280	 \$ 211,427	 \$ 189,117
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.25%

NOTE: Information prior to 2014 is not available.

**CITY OF RANIER, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**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, 2022, the City's General Fund Expenditures of \$838,083, exceeded budgeted expenditures of \$598,187 by \$239,896. These excess expenditures were paid for by greater than anticipated revenues related to state aid and donations.

**III. DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PERA PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

2022

Changes in Actuarial Assumptions

- a. The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- a. There were no changes in plan provisions since the previous valuation.

**CITY OF RANIER, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**III. DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PERA PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2021

Changes in Actuarial Assumptions

- a. The investment return and single discount rates were changed from 7.50% to 6.50%, for financial statement reporting purposes.
- b. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- a. There were no changes in plan provisions since the previous valuation.

2020

Changes in Actuarial Assumptions

- a. The price inflation assumption was decreased from 2.50% to 2.25%.
- b. The payroll growth assumption was decreased from 3.25% to 3.00%.
- c. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- d. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- e. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- f. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- g. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- h. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- i. The assumed spouse age difference was changed from two years older for females to one year older.
- j. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- a. Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**CITY OF RANIER, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**III. DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PERA PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2019

Changes in Actuarial Assumptions

- a. The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- a. The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- a. The mortality projection scale was changed from MP-2015 to MP-2017.
- b. The assumed postretirement benefit increase was from 1% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- a. The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- b. Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- c. Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- d. Contribution stabilizer provisions were repealed.
- e. Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- f. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- g. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

**III. DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PERA PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- a. The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- b. The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- a. There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- a. The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

- a. On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.



## **OTHER REPORTS SECTION**

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**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, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2023.

***Report on Internal Control Over Financial Reporting***

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City’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 financial statements. 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***

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 30, 2023

**CITY OF RANIER, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

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**Section I – Financial Statement Findings**

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**2022 – 001**: Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The Council and management share the ultimate responsibility for the City’s internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The City engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City’s internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the City’s activities and operations.

The City’s personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City’s financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

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

**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.

**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.

**Repeat finding:** Yes, 2021-001.

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

**Views of responsible officials and planned corrective actions:** No disagreement with the finding. 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, 2022**

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**Section I – Financial Statement Findings (Continued)**

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**2022 – 002**: Lack of Segregation of Duties

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**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.

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

**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.

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

**Repeat finding:** Yes, 2021-002.

**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.

**Views of responsible officials and planned corrective actions:** No disagreement with the finding. 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, 2022**

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**Section I – Financial Statement Findings (Continued)**

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**2022 – 003**: Material Audit Adjustments

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** As part of the audit, we proposed account reclassification entries relating to the coding of receipts and disbursements, accruals, 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.

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

**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.

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

**Repeat finding:** Yes, 2021-003.

**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.

**Views of responsible officials and planned corrective actions:** No disagreement with the finding. 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, 2022**

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**Section II – Compliance and Other Matters**

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**2022 – 004**: Cash Donations

Type of Finding:

- Minnesota Legal Compliance

**Condition:** State statutes require that local governments accept cash donations during council meetings.

**Criteria or specific requirement:** Minnesota State Statutes §465.03 requires that every donation is accepted as prescribed by the donor made by resolution of the council that is adopted by a two-thirds majority of its members and expressing such terms in full.

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

**Cause:** The City did not bring all donations received from the Rainer Rec Club to the council for approval.

**Repeat finding:** No.

**Recommendation:** We recommend the City bring all donations to the council for approval.

**Views of responsible officials and planned corrective actions:** No disagreement with the finding. City management will bring all donations to the council for approval.





## 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 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2023.

In connection with our audit, we noted that the City failed to comply with the provisions of the miscellaneous provisions of the *Minnesota Legal Compliance Audit guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and responses as item 2022-004. Also, in connection with our audit nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting-bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 30, 2023

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