

**CITY OF RANIER, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2013**

**CITY OF RANIER, MINNESOTA**  
**DECEMBER 31, 2013**

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**DECEMBER 31, 2013**

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**CITY OF RANIER, MINNESOTA**  
**DECEMBER 31, 2013**

**OFFICIAL DIRECTORY**  
**(Unaudited)**

		<b><u>Term Expires</u></b>
<b>Mayor</b>	<b>Dennis Wagner</b>	<b>December 31, 2016</b>
<b>Council Members:</b>	<b>Todd Coulombe</b>	<b>December 31, 2016</b>
	<b>Tony Cole</b>	<b>December 31, 2016</b>
	<b>Ron Wilcox</b>	<b>December 31, 2014</b>
	<b>Brenda Bauer</b>	<b>December 31, 2014</b>
<b>Administrator</b>	<b>Kimberley Nuthak</b>	<b>Appointive</b>



MILLER MCDONALD, INC.  
*Certified Public Accountants*  
513 Beltrami Avenue  
P.O. Box 486  
Bemidji, MN 56619  
(218) 751 - 6300  
Fax (218) 751 - 0782  
www.millermcdonald.com

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Ranier, Minnesota, as of and for the year ended December 31, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

City of Ranier, Minnesota

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Ranier, Minnesota, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ranier, Minnesota's financial statements as a whole. The official directory and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

City of Ranier, Minnesota

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2014, on our consideration of the City of Ranier, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ranier, Minnesota's internal control over financial reporting and compliance.

*Miller McDonald, Inc.*

June 3, 2014  
Bemidji, Minnesota

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 246,346	\$ 437,834	\$ 684,180
Receivables:			
Accounts Receivable, Net	-	32,563	32,563
Taxes Receivable	4,705	-	4,705
Special Assessments Receivable	335,779	-	335,779
Due From Other Governments	2,188	741	2,929
Internal Balances	(22,579)	22,579	-
Inventories	-	20,482	20,482
Capital Assets:			
Land and Other Non-Depreciable Assets	-	976	976
Depreciable Capital Assets, Net of Depreciation	88,565	2,047,320	2,135,885
Total Assets	<u>655,004</u>	<u>2,562,495</u>	<u>3,217,499</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	16,677	33,840	50,517
Accrued Expenses	9,784	47,368	57,152
Long-Term Liabilities:			
Portion Due Within One Year	46,000	18,000	64,000
Portion Due After One Year	506,205	1,206,000	1,712,205
Total Liabilities	<u>578,666</u>	<u>1,305,208</u>	<u>1,883,874</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	88,565	824,296	912,861
Restricted For:			
Capital Projects	16,063	-	16,063
Unrestricted (Deficit)	(28,290)	432,991	404,701
Total Net Position	<u>\$ 76,338</u>	<u>\$ 1,257,287</u>	<u>\$ 1,333,625</u>

See Accompanying Notes to Financial Statements.



**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net Revenue (Expense) and Change in Net Position</u></b>		
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Governmental Activities:</u></b>							
General Government	\$ 120,259	\$ 7,482	\$ 5,210	\$ -	\$ (107,567)	\$ -	\$ (107,567)
Public Safety:							
Law Enforcement	3,600	-	1,810	-	(1,790)	-	(1,790)
Fire	29,500	-	-	-	(29,500)	-	(29,500)
Streets and Highways	43,624	-	-	-	(43,624)	-	(43,624)
Parks and Recreation	39,051	-	7,577	5,000	(26,474)	-	(26,474)
Community Development	11,982	-	17,333	-	5,351	-	5,351
Capital Outlay for Enterprise Funds	11,687	-	-	-	(11,687)	-	(11,687)
Interest on Long-Term Debt	10,678	17,616	-	-	6,938	-	6,938
Total Governmental Activities	<u>270,381</u>	<u>25,098</u>	<u>31,930</u>	<u>5,000</u>	<u>(208,353)</u>	<u>-</u>	<u>(208,353)</u>
<b><u>Business-Type Activities:</u></b>							
Water and Sewer Utility	307,690	270,287	-	11,687	-	(25,716)	(25,716)
Liquor	391,159	416,292	-	-	-	25,133	25,133
Total Business-Type Activities	<u>698,849</u>	<u>686,579</u>	<u>-</u>	<u>11,687</u>	<u>-</u>	<u>(583)</u>	<u>(583)</u>
<b>Total</b>	<u>\$ 969,230</u>	<u>\$ 711,677</u>	<u>\$ 31,930</u>	<u>\$ 16,687</u>	<u>(208,353)</u>	<u>(583)</u>	<u>(208,936)</u>
<b><u>General Revenues:</u></b>							
Property Taxes Levied for General Purposes					139,855	-	139,855
Franchise and Other Taxes					1,000	-	1,000
Grants and Contributions Not Restricted					22,526	-	22,526
Unrestricted Investment Earnings					6	1,994	2,000
Other Revenues					6,932	-	6,932
Transfers In (Out)					42,440	(42,440)	-
Total General Revenues and Transfers					<u>212,759</u>	<u>(40,446)</u>	<u>172,313</u>
<b><u>Change in Net Position</u></b>					4,406	(41,029)	(36,623)
<b><u>Net Position - Beginning of Year</u></b>					71,932	1,298,316	1,370,248
<b><u>Net Position - End of Year</u></b>					<u>\$ 76,338</u>	<u>\$ 1,257,287</u>	<u>\$ 1,333,625</u>

See Accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

	<u>General Fund</u>	<u>2012 Capital Improvement Fund</u>	<u>2012A GO Utility Revenue Refunding Note Fund</u>	<u>2012A GO Improvement Bond Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 124,612	\$ 16,063	\$ 1,446	\$ 104,225	\$ 246,346
Taxes Receivable, net	4,705	-	-	-	4,705
Special Assessments Receivable	-	-	-	335,779	335,779
Due From Other Governments	2,188	-	-	-	2,188
<b>Total Assets</b>	<b><u>\$ 131,505</u></b>	<b><u>\$ 16,063</u></b>	<b><u>\$ 1,446</u></b>	<b><u>\$ 440,004</u></b>	<b><u>\$ 589,018</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 16,677	\$ -	\$ -	\$ -	\$ 16,677
Due To Other Funds	22,579	-	-	-	22,579
Unearned Revenues	4,705	-	-	335,779	340,484
Accrued Wages Payable	3,982	-	-	-	3,982
Accrued Payroll Liabilities	2,070	-	-	-	2,070
<b>Total Liabilities</b>	<b><u>50,013</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>335,779</u></b>	<b><u>385,792</u></b>
<b>Fund Equity:</b>					
<b>Restricted for:</b>					
Capital Projects	-	16,063	-	-	16,063
Debt Service	-	-	1,446	104,225	105,671
Unassigned	81,492	-	-	-	81,492
<b>Total Fund Equity</b>	<b><u>81,492</u></b>	<b><u>16,063</u></b>	<b><u>1,446</u></b>	<b><u>104,225</u></b>	<b><u>203,226</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 131,505</u></b>	<b><u>\$ 16,063</u></b>	<b><u>\$ 1,446</u></b>	<b><u>\$ 440,004</u></b>	<b><u>\$ 589,018</u></b>

See Accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

Total Fund Equity - Governmental Funds \$ 203,226

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Cost	\$ 221,552	
Accumulated Depreciation	(132,987)	
Net Depreciated Value of Capital Assets	88,565	88,565

Long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are deferred in the funds. This includes the following receivable:

Delinquent Property Taxes	4,705	
Special Assessments	335,779	
	340,484	340,484

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,732)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The effect of issuance costs and premiums or discounts are recognized as an expenditure when debt is issued in the funds, whereas these amounts are deferred and amortized in the government-wide statements.

General Obligation Bonds Payable	(550,000)	
Net Unamortized Bond Premium	(2,205)	
	(552,205)	(552,205)

Total Net Position - Governmental Activities \$ 76,338

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	2012 Capital Improvement Fund	2012A GO Utility Revenue Refunding Note Fund	2012A GO Improvement Bond Fund	Totals
<b>Revenues</b>					
Taxes	\$ 145,831	\$ -	\$ -	\$ -	\$ 145,831
Special Assessments	-	-	-	95,191	95,191
Licenses and Permits	1,709	-	-	-	1,709
Intergovernmental	46,569	-	-	-	46,569
Charges for Services	5,773	-	-	-	5,773
Interest	6	-	-	-	6
Other	14,609	-	-	-	14,609
<b>Total Revenues</b>	<b>214,497</b>	<b>-</b>	<b>-</b>	<b>95,191</b>	<b>309,688</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	107,290	-	-	-	107,290
Public Safety	33,100	-	-	-	33,100
Streets and Highways	41,684	-	-	-	41,684
Culture and Recreation	36,034	-	-	-	36,034
Housing and Economic Development	11,982	-	-	-	11,982
Other	8,719	-	-	-	8,719
Capital Outlay	-	11,687	-	-	11,687
<b>Debt Service:</b>					
Principal Retirement	-	-	9,600	-	9,600
Interest and Fiscal Charges	-	-	1,450	8,934	10,384
Other Debt Service Expense	-	450	-	-	450
<b>Total Expenditures</b>	<b>238,809</b>	<b>12,137</b>	<b>11,050</b>	<b>8,934</b>	<b>270,930</b>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	(24,312)	(12,137)	(11,050)	86,257	38,758
<b>Transfers In</b>	30,000	-	12,440	-	42,440
<b>Net Changes in Fund Equity</b>	5,688	(12,137)	1,390	86,257	81,198
<b>Fund Equity - Beginning of Year</b>	75,804	28,200	56	17,968	122,028
<b>Fund Equity - End of Year</b>	<b>\$ 81,492</b>	<b>\$ 16,063</b>	<b>\$ 1,446</b>	<b>\$ 104,225</b>	<b>\$ 203,226</b>

See Accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Equity - Total Governmental Fund \$ 81,198

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation (9,207)

The change in unearned revenue in the governmental funds represents advance charges paid by governmental activities and is eliminated within the government-wide statements.

Delinquent Property Taxes Receivable	\$ 234	
Special Assessments Receivable	<u>(77,575)</u>	(77,341)

Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless when it is due.

Accrued Interest at December 31, 2013	(3,732)	
Accrued Interest at December 31, 2012	<u>3,697</u>	(35)

Repayment of outstanding long-term indebtedness is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Principal Retirement	9,600	
Net Amortization of Bond Premium	<u>191</u>	<u>9,791</u>

Change in Net Position of Government Activities \$ 4,406

**CITY OF RANIER, MINNESOTA**  
**BALANCE SHEET -**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2013**

<u>ASSETS</u>	<u>Water And Sewer Utility Enterprise Fund</u>	<u>Liquor Enterprise Fund</u>	<u>Totals</u>
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 361,556	\$ 76,278	\$ 437,834
Accounts Receivable	32,563	-	32,563
Due from Other Funds	21,763	816	22,579
Due from Other Governments	741	-	741
Inventory	-	20,482	20,482
<b>Total Current Assets</b>	<b>416,623</b>	<b>97,576</b>	<b>514,199</b>
<b><u>Capital Assets</u></b>			
Land	-	976	976
Water System	2,499,733	-	2,499,733
Buildings and Improvements	-	183,841	183,841
Wastewater System	443,919	-	443,919
Machinery and Equipment	-	32,668	32,668
<b>Total Capital Assets</b>	<b>2,943,652</b>	<b>217,485</b>	<b>3,161,137</b>
Less Accumulated Depreciation	907,137	205,704	1,112,841
<b>Capital Assets, Depreciated Value</b>	<b>2,036,515</b>	<b>11,781</b>	<b>2,048,296</b>
<b><u>Total Assets</u></b>	<b>\$ 2,453,138</b>	<b>\$ 109,357</b>	<b>\$ 2,562,495</b>
<b><u>LIABILITIES AND NET POSITION</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable	\$ 14,415	\$ 19,425	\$ 33,840
Accrued Expenses	37,604	9,764	47,368
Bonds, Notes, and Loans Payable	18,000	-	18,000
<b>Total Current Liabilities</b>	<b>70,019</b>	<b>29,189</b>	<b>99,208</b>
<b><u>Noncurrent Liabilities</u></b>			
Bonds, Notes, and Loans Payable	1,206,000	-	1,206,000
<b><u>Total Liabilities</u></b>	<b>1,276,019</b>	<b>29,189</b>	<b>1,305,208</b>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	812,515	11,781	824,296
Unrestricted	364,604	68,387	432,991
<b>Total Net Position</b>	<b>1,177,119</b>	<b>80,168</b>	<b>1,257,287</b>
<b><u>Total Liabilities and Net Position</u></b>	<b>\$ 2,453,138</b>	<b>\$ 109,357</b>	<b>\$ 2,562,495</b>

See Accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION -**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Water And Sewer Utility Enterprise Fund	Liquor Enterprise Fund	Totals
<b><u>Operating Revenues</u></b>			
Charges for Services/Sales	\$ 270,105	\$ 415,438	\$ 685,543
Cost of Sales	-	(167,627)	(167,627)
<b>Total Operating Revenues</b>	<b>270,105</b>	<b>247,811</b>	<b>517,916</b>
<b><u>Operating Expenses</u></b>			
Personal Services	25,004	147,150	172,154
Contractual and Professional Services	3,388	4,063	7,451
Water Purchases	152,021	-	152,021
Contracted Sewer Treatment	21,366	-	21,366
Repairs and Maintenance	3,236	17,510	20,746
Insurance	1,612	16,249	17,861
Utilities	-	12,742	12,742
Supplies	4,473	6,072	10,545
Other Expenses	11,855	13,301	25,156
Bad Debt Expense	-	1,031	1,031
Depreciation	48,117	5,414	53,531
<b>Total Operating Expenses</b>	<b>271,072</b>	<b>223,532</b>	<b>494,604</b>
<b><u>Operating Income (Loss)</u></b>	<b>(967)</b>	<b>24,279</b>	<b>23,312</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest Income	1,975	19	1,994
Other Revenue	182	854	1,036
Interest Expense	(36,618)	-	(36,618)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(34,461)</b>	<b>873</b>	<b>(33,588)</b>
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	<b>(35,428)</b>	<b>25,152</b>	<b>(10,276)</b>
<b><u>Capital Contribution and Transfers</u></b>			
Capital Contribution	11,687	-	11,687
Transfer Out	(12,440)	(30,000)	(42,440)
<b>Total Capital Contribution and Transfers</b>	<b>(753)</b>	<b>(30,000)</b>	<b>(30,753)</b>
<b><u>Change in Net Position</u></b>	<b>(36,181)</b>	<b>(4,848)</b>	<b>(41,029)</b>
<b><u>Net Position, Beginning of Year</u></b>	<b>1,213,300</b>	<b>85,016</b>	<b>1,298,316</b>
<b><u>Net Position, End of Year</u></b>	<b>\$ 1,177,119</b>	<b>\$ 80,168</b>	<b>\$ 1,257,287</b>

See Accompanying Notes to Financial Statements.

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF CASH FLOWS -**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>Water And Sewer Utility Enterprise Fund</u>	<u>Liquor Enterprise Fund</u>	<u>Totals</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Cash Received from Customers and for Services	\$ 267,527	\$ 415,438	\$ 682,965
Cash Paid to Employees and Suppliers	(220,895)	(384,171)	(605,066)
Net Cash Provided by Operating Activities	<u>46,632</u>	<u>31,267</u>	<u>77,899</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Due To (From) Other Funds	(21,763)	(816)	(22,579)
Receipts From Other Sources	182	854	1,036
Transfers From (To) Other Funds	(12,440)	(30,000)	(42,440)
Net Cash Used in Noncapital Financing Activities	<u>(34,021)</u>	<u>(29,962)</u>	<u>(63,983)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
State and Federal Grant Receipts	(741)	-	(741)
Principal Paid on Capital Debt	(17,000)	-	(17,000)
Interest Paid on Capital Debt	(37,128)	-	(37,128)
Net Cash Used in Capital and Related Financing Activities	<u>(54,869)</u>	<u>-</u>	<u>(54,869)</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest and Dividends	<u>1,975</u>	<u>19</u>	<u>1,994</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<b>(40,283)</b>	<b>1,324</b>	<b>(38,959)</b>
<b><u>Balance - Beginning of the Year</u></b>	<b><u>401,839</u></b>	<b><u>74,954</u></b>	<b><u>476,793</u></b>
<b><u>Balance - End of the Year</u></b>	<b><u>\$ 361,556</u></b>	<b><u>\$ 76,278</u></b>	<b><u>\$ 437,834</u></b>

**Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities**

Operating Income (Loss)	\$ (967)	\$ 24,279	\$ 23,312
Depreciation	48,117	5,414	53,531
(Increase) Decrease in Assets:			
Accounts Receivable	(2,578)	-	(2,578)
Inventory	-	(1,735)	(1,735)
Increase (Decrease) in Liabilities:			
Accounts Payable	2,105	3,583	5,688
Accrued Expenses	(45)	(274)	(319)
Net Cash Provided by Operating Activities	<u>\$ 46,632</u>	<u>\$ 31,267</u>	<u>\$ 77,899</u>

**Supplemental Disclosure of Noncash Capital and Related Financing Activities**

Capital Assets Contributed	\$ 11,687	\$ -	\$ 11,687
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See Accompanying Notes to Financial Statements.



**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies**

The financial statements of the City of Ranier have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as United States generally accepted accounting principles for state and local government.

**A. Reporting Entity**

For financial reporting purposes, the City's financial statements include all funds and component units over which the City exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, the ability to significantly influence operations and accountability for fiscal matters.

Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based upon the application of these criteria there are no component units.

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the fund financial statements model emphasizes fund types (the total of all funds of a particular type), in the government-wide model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, both the governmental and business-type activities (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary grants. Taxes and other items not properly included among program revenues are reported instead as general revenues. The effect of interfund activity has been removed from the government-wide financial statements.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

The governmental funds major fund statements in the fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation statement is presented that briefly explains the adjustments necessary to reconcile the ending net position and the change in net position. The focus of the GASB Statement No. 34 reporting model is on the City as a whole and on the City's major funds, including both governmental funds and enterprise funds. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts, recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Major Governmental Funds:**

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

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

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

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

**Major Proprietary Funds:**

**Liquor Enterprise Fund** - The liquor fund is used to account for the sales and expenses of operating an on and off-sale liquor store.

**Water and Sewer Utility Enterprise Fund** - The water and sewer utility fund is used to account for the provision of water and sewer services to the City's residents and businesses.

The City has no non-major funds.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net total position) is segregated into net investment in capital assets, restricted and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

The modified accrual basis of accounting is followed by the City for its governmental funds. Under this method of accounting, revenues are recognized when they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major revenue sources susceptible to accrual include property taxes (excluding delinquent taxes received over 60 days after year end), special assessments, intergovernmental revenues, charges for services and interest on investments. Major revenue sources not susceptible to accrual include licenses and permits, fees, and miscellaneous revenues. Such revenues are recorded as revenue when received because they are not measurable until collected. Expenditures are generally recognized in the accounting period when the fund liability is incurred, except for interest on general long-term debt which is recognized when due.

The accrual basis of accounting is followed for the proprietary funds. Under this method of accounting, revenues are recognized during the accounting period in which they are earned and become measurable and expenses are recognized in the accounting period in which they are incurred if measurable.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. 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.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**D. Cash and Investments**

Cash and temporary investment balances are invested to the extent available in authorized investments. Earnings from investments are recognized in the fund owning the respective investment.

Investments in governmental funds are stated at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

For purposes of the statement of cash flows of the proprietary fund type, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the pooled cash and investments allocated to the primary government's proprietary fund types are considered to be cash and cash equivalents.

**E. Receivables**

Receivables of the City consisting of delinquent property taxes, special assessments, notes, interest and other balances are shown at the gross amount because they are considered to be collectible in full.

**F. Delinquent Property Tax Receivables and Revenue Recognition**

The City Council annually adopts a tax levy and certifies the levy to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at the year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred revenue because it is not available to finance current expenditures.

Unpaid delinquent taxes are generally measurable but not available to finance the expenditures of the current year. Accordingly, these taxes are not recognized as revenue until they are collected by the County. Unpaid delinquent property taxes are reflected in the balance sheets at December 31 subject to a full deferral of revenue.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

Taxes on homestead property (as defined by state statutes) are partially reduced by a Market Value Credit. The credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit in installments during the year.

**G. Special Assessment Receivables and Revenue Recognition**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred revenues.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of the sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

**H. Inventories**

Inventory in the liquor enterprise fund is valued at cost, which approximates market, using the first in/first out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

The City does not maintain material amounts of inventory within the governmental fund types.

**I. Capital Assets**

Capital assets include property, plant equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000, except for infrastructure networks which are capitalized at a cost of greater than \$50,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies – Continued**

Depreciation has been provided using the straight-line method over the estimated useful lives of assets, as follows:

Buildings and Improvements	10 - 40 Years
Water and Sewer Lines	40 Years
Machinery and Equipment	5 – 7 Years

**J. Fund Equity**

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** – amounts are in a nonspendable form (such as inventory or prepaid items) or area required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- **Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of and for the year ended December 31, 2013, the City Council has not committed or assigned fund balances for any purpose.

**K. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds are eliminated in the statement of net position.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - Summary of Significant Accounting Policies – Continued**

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other transfers are reported as operating transfers.

**L. Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**M. Compensated Absences**

Under certain circumstances and according to negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is included as a liability in the enterprise fund and governmental fund financial statements.

**N. Bonds and Related Premiums, Discounts, and Issuance Costs**

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts.

In the governmental fund financial statements bond premiums and discounts are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**O. Unbilled Services Receivable**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

**P. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – Stewardship, Compliance and Accountability**

For the year ended December 31, 2013, expenditures exceed appropriations in the general fund by \$2,140. These over-expenditures were funded by greater than anticipated revenues in that fund.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 3 – Deposits and Investments**

**Deposits**

The City’s total cash is as follows:

	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>	<u>Totals</u>
Petty Cash / Cash on Hand	\$ 50	\$ 2,500	\$ 2,550
Deposits - Checking Accounts	118,622	19,050	137,672
Deposits - Savings Accounts	127,674	278,867	406,541
Deposits - Certificates of Deposit	-	137,417	137,417
<b>Totals</b>	<b>\$ 246,346</b>	<b>\$ 437,834</b>	<b>\$ 684,180</b>

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System. In addition, Minnesota Statutes require that insurance, surety bond, or collateral protect all City deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy for custodial credit risk is to maintain compliance with *Minnesota Statutes*. At December 31, 2013, the City had no custodial credit risk.

**Investments**

Minnesota Statutes authorize the City to invest in the following types of investments:

- a. securities which are direct obligations or are guaranteed or insured issues of the united States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Statutes;
- b. mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- c. general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- d. bankers’ acceptances of United States banks;
- e. with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The City had no investments at year end and had not adopted an investment policy.



**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 4 – Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales and Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Building and Improvements	\$ 208,273	\$ -	\$ -	\$ 208,273
Equipment	13,279	-	-	13,279
<b>Total Capital Assets Being Depreciated</b>	<u>221,552</u>	<u>-</u>	<u>-</u>	<u>221,552</u>
<b>Accumulated Depreciation:</b>				
Building and Improvements	113,412	7,267	-	120,679
Equipment	10,368	1,940	-	12,308
<b>Total Accumulated Depreciation:</b>	<u>123,780</u>	<u>9,207</u>	<u>-</u>	<u>132,987</u>
<b>Capital Assets, Net - Governmental Activities</b>	<u>\$ 97,772</u>	<u>\$ (9,207)</u>	<u>\$ -</u>	<u>\$ 88,565</u>
<b>Business-type Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 976	\$ -	\$ -	\$ 976
Construction in Progress	448,357	-	448,357	-
<b>Total Capital Assets Not Being Depreciated</b>	<u>449,333</u>	<u>-</u>	<u>448,357</u>	<u>976</u>
<b>Capital Assets Being Depreciated:</b>				
Building and Improvements	183,841	-	-	183,841
Water Main and Meters	2,039,689	460,044	-	2,499,733
Sewer Lines	443,919	-	-	443,919
Equipment and Furnishings	32,668	-	-	32,668
<b>Total Capital Assets Being Depreciated</b>	<u>2,700,117</u>	<u>460,044</u>	<u>-</u>	<u>3,160,161</u>
<b>Accumulated Depreciation:</b>				
Building and Improvements	168,320	4,716	-	173,036
Water Main and Meters	415,101	48,117	-	463,218
Sewer Lines	443,919	-	-	443,919
Equipment and Furnishings	31,970	698	-	32,668
<b>Total Accumulated Depreciation:</b>	<u>1,059,310</u>	<u>53,531</u>	<u>-</u>	<u>1,112,841</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>1,640,807</u>	<u>406,513</u>	<u>-</u>	<u>2,047,320</u>
<b>Capital Assets, Net - Business-type Activities</b>	<u>\$ 2,090,140</u>	<u>\$ 406,513</u>	<u>\$ 448,357</u>	<u>\$ 2,048,296</u>

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 4 – Capital Assets – Continued**

Depreciation expense was charged to functions/programs as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Government	\$ 4,250	\$ -
Streets and Highways	1,940	-
Parks and Recreation	3,017	-
Water and Sewer Utilities	-	48,117
Liquor	-	5,414
Total Depreciation Expense	<u>\$ 9,207</u>	<u>\$ 53,531</u>

**NOTE 5 – Long-Term Debt**

A summary of changes in long-term debt is as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Current Amounts</u>	
					<u>Principal</u>	<u>Interest</u>
<b>Governmental Activities:</b>						
General Obligation Issues:						
G.O. Improvement Bonds, Series 2012A	\$ 480,000	\$ -	\$ -	\$ 480,000	\$ 35,000	\$ 8,469
G.O. Utility Revenue Refunding Note, Series 2012A	79,600	-	9,600	70,000	11,000	1,620
Total General Obligation Issues	<u>559,600</u>	<u>-</u>	<u>9,600</u>	<u>550,000</u>	<u>46,000</u>	<u>10,089</u>
Unamortized Bond Premium	2,396	-	191	2,205	191	-
Total Governmental Activities	<u>\$ 561,996</u>	<u>\$ -</u>	<u>\$ 9,791</u>	<u>\$ 552,205</u>	<u>\$ 46,191</u>	<u>\$ 10,089</u>
<b>Business-Type Activities:</b>						
Water and Sewer Utility Enterprise Fund						
G.O. Water Revenue Bond, 2011	\$ 1,241,000	\$ -	\$ 17,000	\$ 1,224,000	\$ 18,000	\$ 36,720
Total Business-Type Activities	<u>\$ 1,241,000</u>	<u>\$ -</u>	<u>\$ 17,000</u>	<u>\$ 1,224,000</u>	<u>\$ 18,000</u>	<u>\$ 36,720</u>

At year-end the following bonds were outstanding:

**\$1,241,000 General Obligation Water Revenue Bond, Series 2011, issued December 6, 2011; with principal payable in 39 installments on January 1 of each year commencing with the initial principal payment on January 1, 2013, with annual interest payments payable on January 1 of each year commencing with the initial interest payment on January 1, 2012; interest rate of 3.00%. The bond is serviced by the Water and Sewer Utility Enterprise Fund.**

**\$480,000 General Obligation Improvement Bonds, Series 2012A, issued July 17, 2012; due in full on February 1, 2025, with semi-annual interest payments on February 1 and August 1; interest rate range of 0.75% to 2.75%. The bond is serviced by the 2012 Improvement Program Fund.**

**\$79,600 General Obligation Utility Revenue Refunding Note, Series 2012A, issued June 1, 2012; due in full on December 1, 2019, with semi-annual interest payments on June 1 and December 1; interest rate of 2.40%. The note is serviced by the 2012A GO Utility Revenue Refunding Note Fund.**

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 5 – Long-Term Debt - Continued**

There are a number of limitations and restrictions contained in the general obligation bond indenture. The City is in compliance with all significant limitations and restrictions at December 31, 2013. No interest was capitalized during 2013; interest incurred and charged to expense totaled \$38,003.

The annual requirements to amortize the general obligation bond at December 31, 2013 are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Bond</u> <u>Principal</u>	<u>Bond</u> <u>Interest</u>	<u>Total</u>
2014	\$ 64,000	\$ 46,809	\$ 110,809
2015	64,000	45,742	109,742
2016	70,000	44,657	114,657
2017	71,000	43,381	114,381
2018	72,000	41,963	113,963
2019-2023	322,000	187,255	509,255
2024-2028	217,000	148,215	365,215
2029-2033	146,000	125,580	271,580
2034-2038	170,000	102,300	272,300
2039-2043	196,000	75,270	271,270
2044-2048	228,000	44,010	272,010
2049-2051	154,000	9,330	163,330
Totals	<u>\$ 1,774,000</u>	<u>\$ 914,512</u>	<u>\$ 2,688,512</u>

**NOTE 6 – Pledged Revenues**

The City has pledged future revenues derived from the water and sewer utility enterprise fund, net of specified operating expenses, to repay \$79,600 in water system revenue bonds issued in June 2012. Proceeds from the bonds were used to meet the General Obligation Water Revenue Note, Series 2010A expiring debt obligation. Principal and interest on the bonds are payable through 2019, from the water and sewer utility enterprise fund water revenue. If these revenues are insufficient to meet the bonds principal and interest payments, the City has the authority to levy a special tax to meet the shortfall. The total principal and interest remaining to be paid on the bond is \$88,062. Principal and interest paid for the current year and water revenues were \$18,534 and \$201,485, respectively.

**NOTE 7 – Public Employees Retirement Association (PERA)**

**Plan Description**

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) that is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 7 – Public Employees Retirement Association (PERA) – Continued**

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA'S Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives.

Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 7 – Public Employees Retirement Association (PERA) – Continued**

**Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$14,530, \$12,109, and \$11,068, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**NOTE 8 – Inter-fund Receivables, Payables and Transfers**

Individual fund receivable/payable balances at December 31, 2013 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 22,579
Water and Sewer Utility Enterprise Fund	21,763	-
Liquor Enterprise Fund	816	-
Totals	<u>\$ 22,579</u>	<u>\$ 22,579</u>

A summary of interfund transfers follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 30,000
2012A GO Utility Revenue Refunding Note Fund	-	12,440
Water and Sewer Utility Enterprise Fund	12,440	-
Liquor Enterprise Fund	30,000	-
Totals	<u>\$ 42,440</u>	<u>\$ 42,440</u>

The transfer from the Liquor Enterprise Fund is used to subsidize activities in the General Fund. The transfer from the Water and Sewer Utility Enterprise Fund to the 2012A GO Utility Refunding Note Fund is a required transfer to fund debt service requirements.

**NOTE 9 – Segment Information**

The City maintains two enterprise funds consisting of municipal liquor and water and sewer utility. The fiscal year-end is December 31 for the enterprise funds. Since the required segment information is provided in the balance sheet, statement of revenues, expenses and changes in fund net position, and the cash flows statement, there is no need to repeat this information.

**CITY OF RANIER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 10 – Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts.

**NOTE 11 – Commitments and Contingencies**

The City participates in numerous State and Federal grant programs, which are governed by various rules 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, 2013 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 combined financial statements for such obligations.

**CITY OF RANIER, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b><u>Revenues</u></b>			
Taxes	\$ 143,100	\$ 145,831	\$ 2,731
Licenses and Permits	3,000	1,709	(1,291)
Intergovernmental	28,019	46,569	18,550
Charges for Services	5,050	5,773	723
Interest	-	6	6
Other Revenue	7,500	14,609	7,109
<b><u>Total Revenues</u></b>	<b><u>186,669</u></b>	<b><u>214,497</u></b>	<b><u>27,828</u></b>
<b><u>Expenditures</u></b>			
<b><u>General Government</u></b>			
Current			
Mayor and Council	9,750	8,963	787
City Clerk and Treasurer	59,700	65,847	(6,147)
Professional Services	8,000	9,448	(1,448)
City Hall	65,185	21,161	44,024
Tourism	-	1,871	(1,871)
<b>Total General Government</b>	<b><u>142,635</u></b>	<b><u>107,290</u></b>	<b><u>35,345</u></b>
<b><u>Public Safety</u></b>			
Current			
Police Protection	3,600	3,600	-
Fire Protection	29,500	29,500	-
<b>Total Public Safety</b>	<b><u>33,100</u></b>	<b><u>33,100</u></b>	<b><u>-</u></b>
<b><u>Streets and Highways</u></b>			
Current			
Street Maintenance	11,150	31,211	(20,061)
Street Lighting	15,000	10,473	4,527
<b>Total Streets and Highways</b>	<b><u>26,150</u></b>	<b><u>41,684</u></b>	<b><u>(15,534)</u></b>
<b><u>Parks and Recreation</u></b>			
Current			
	<b><u>22,950</u></b>	<b><u>36,034</u></b>	<b><u>(13,084)</u></b>

See Accompanying Notes to the Required Supplementary Information.

**CITY OF RANIER, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Economic Development</u>			
Current	6,334	11,982	(5,648)
<u>Other Expenditures</u>			
Current	5,500	8,719	(3,219)
<u>Total Expenditures</u>	236,669	238,809	(2,140)
<u>Excess of Revenues Over (Under) Expenditures</u>	(50,000)	(24,312)	25,688
<u>Other Financing Sources</u>			
Transfers In	50,000	30,000	(20,000)
<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</u>	-	5,688	5,688
<u>Fund Balance - Beginning of Year</u>	75,804	75,804	-
<u>Fund Balance - End of Year</u>	\$ 75,804	\$ 81,492	\$ 5,688

See Accompanying Notes to the Required Supplementary Information.



**CITY OF RANIER, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 – Budgetary Data**

Budgets are prepared for City funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are in accordance with accounting principles generally accepted in the United States of America.

**Legal Compliance – Budgets**

- Before September 15, the Administrator submits to the Council a proposed operating budget for the subsequent calendar year. The operating budget includes proposed expenditures and the means of financing them for the general fund. Budgets are also adopted for operational purposes for the water and sewer and the liquor enterprise funds. However, the general fund is the only fund that is legally adopted through the budgetary process as documented below.
- The budget is legally enacted through passage of the City Council resolution by December 28.
- The City Council may authorize transfer of budgeted amounts between funds.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- General fund expenditures may not legally exceed budgeted appropriations at the total fund level without Council approval. Monitoring of budgets is maintained at the expenditure category level.

**NOTE 2 – Stewardship, Compliance and Accountability**

For the year ended December 31, 2013, expenditures exceed appropriations in the general fund by \$2,140. These over-expenditures were funded by greater than anticipated revenues in that fund.

**CITY OF RANIER, MINNESOTA**  
**BALANCE SHEET**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**DECEMBER 31, 2013**

With Comparative Balances at December 31, 2012

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 361,556	\$ 401,839
Accounts Receivable	32,563	29,985
Due from Other Funds	21,763	-
Due from Other Governments	741	-
Total Current Assets	<u>416,623</u>	<u>431,824</u>
<b><u>Capital Assets</u></b>		
Water Mains and Meters	2,499,733	2,039,689
Sewer Lines	443,919	443,919
Construction in Process	-	448,357
Total Capital Assets	<u>2,943,652</u>	<u>2,931,965</u>
Less Accumulated Depreciation	<u>907,137</u>	<u>859,020</u>
Capital Assets, Depreciated Value	<u>2,036,515</u>	<u>2,072,945</u>
<b><u>Total Assets</u></b>	<b><u>\$ 2,453,138</u></b>	<b><u>\$ 2,504,769</u></b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 14,415	\$ 12,310
Accrued Salaries	884	929
Accrued Interest Payable	36,720	37,230
Bonds, Notes, and Loans Payable	<u>18,000</u>	<u>17,000</u>
Total Current Liabilities	70,019	67,469
<b><u>Noncurrent Liabilities</u></b>		
Bonds, Notes, and Loans Payable, net of current portion	<u>1,206,000</u>	<u>1,224,000</u>
<b><u>Total Liabilities</u></b>	<b><u>1,276,019</u></b>	<b><u>1,291,469</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	812,515	831,945
Unrestricted	<u>364,604</u>	<u>381,355</u>
Total Net Position	<u>1,177,119</u>	<u>1,213,300</u>
<b><u>Total Liabilities and Net Position</u></b>	<b><u>\$ 2,453,138</u></b>	<b><u>\$ 2,504,769</u></b>

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**WATER AND SEWER UTILITY ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

With Comparative Amounts For the Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u>
<b><u>Operating Revenues</u></b>		
Charges for Services	\$ 270,105	\$ 244,804
<b><u>Operating Expenses</u></b>		
Personal Services	25,004	27,796
Contractual and Professional Services	3,388	3,250
Water Purchases	152,021	143,803
Contracted Sewer Treatment	21,366	8,224
Repairs and Maintenance	3,236	3,784
Insurance	1,612	1,584
Supplies	4,473	6,689
Other Expenses	11,855	13,410
Depreciation	48,117	42,366
Total Operating Expenses	<u>271,072</u>	<u>250,906</u>
<b><u>Operating Loss</u></b>	<u>(967)</u>	<u>(6,102)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Interest Income	1,975	1,007
Other Revenue	182	3,415
Interest Expense	(36,618)	(38,602)
Total Nonoperating Revenues (Expenses)	<u>(34,461)</u>	<u>(34,180)</u>
<b><u>Net Income (Loss) Before Contribution and Transfers</u></b>	<u>(35,428)</u>	<u>(40,282)</u>
<b><u>Capital Contribution and Transfers</u></b>		
Capital Contribution	11,687	440,857
Transfer In	-	76,244
Operating Transfer Out	(12,440)	(792)
Total Capital Contribution and Transfers	<u>(753)</u>	<u>516,309</u>
<b><u>Change in Net Position</u></b>	<u>(36,181)</u>	<u>476,027</u>
<b><u>Net Position, Beginning of Year</u></b>	<u>1,213,300</u>	<u>737,273</u>
<b><u>Net Position, End of Year</u></b>	<u>\$ 1,177,119</u>	<u>\$ 1,213,300</u>

**CITY OF RANIER, MINNESOTA**  
**BALANCE SHEET**  
**LIQUOR ENTERPRISE FUND**  
**DECEMBER 31, 2013**

With Comparative Balances at December 31, 2012

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 76,278	\$ 74,954
Due from Other Funds	816	-
Inventory	<u>20,482</u>	<u>18,747</u>
<b>Total Current Assets</b>	<b><u>97,576</u></b>	<b><u>93,701</u></b>
<b><u>Capital Assets</u></b>		
Land	976	976
Buildings and Improvements	183,841	183,841
Equipment	<u>32,668</u>	<u>32,668</u>
<b>Total Capital Assets</b>	<b><u>217,485</u></b>	<b><u>217,485</u></b>
Less Accumulated Depreciation	<u>205,704</u>	<u>200,290</u>
<b>Capital Assets, Depreciated Value</b>	<b><u>11,781</u></b>	<b><u>17,195</u></b>
<b><u>Total Assets</u></b>	<b><u>\$ 109,357</u></b>	<b><u>\$ 110,896</u></b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 19,425	\$ 15,842
Accrued Salaries	9,764	10,038
<b>Total Current Liabilities</b>	<b><u>29,189</u></b>	<b><u>25,880</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	11,781	17,195
Unrestricted	<u>68,387</u>	<u>67,821</u>
<b>Total Net Position</b>	<b><u>80,168</u></b>	<b><u>85,016</u></b>
<b><u>Total Liabilities and Net Position</u></b>	<b><u>\$ 109,357</u></b>	<b><u>\$ 110,896</u></b>

**CITY OF RANIER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**LIQUOR ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
 With Comparative Amounts For the Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u>
<b><u>Operating Revenues</u></b>		
Sales	\$ 415,438	\$ 385,478
Cost of Sales	(167,627)	(162,656)
Gross Profit on Sales	<u>247,811</u>	<u>222,822</u>
<b><u>Operating Expenses</u></b>		
Personal Services	147,150	147,285
Contractual and Professional Services	4,063	3,745
Repairs and Maintenance	17,510	7,140
Insurance	16,249	18,328
Utilities	12,742	13,886
Supplies	6,072	5,690
Miscellaneous	13,301	12,097
Bad Debt Expense	1,031	1,080
Depreciation	5,414	6,131
Total Operating Expenses	<u>223,532</u>	<u>215,382</u>
<b><u>Operating Income</u></b>	<u>24,279</u>	<u>7,440</u>
<b><u>Nonoperating Revenues</u></b>		
Interest Income	19	43
Rental Revenue	854	1,918
Total Nonoperating Revenues	<u>873</u>	<u>1,961</u>
<b><u>Net Income Before Transfers</u></b>	25,152	9,401
<b><u>Transfer Out</u></b>	<u>(30,000)</u>	<u>(45,000)</u>
<b><u>Change in Net Position</u></b>	(4,848)	(35,599)
<b><u>Net Position, Beginning of Year</u></b>	<u>85,016</u>	<u>120,615</u>
<b><u>Net Position, End of Year</u></b>	<u>\$ 80,168</u>	<u>\$ 85,016</u>



MILLER MCDONALD, INC.  
*Certified Public Accountants*  
 513 Beltrami Avenue  
 P.O. Box 486  
 Bemidji, MN 56619  
 (218) 751 - 6300  
 Fax (218) 751 - 0782  
 www.millermcdonald.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE *MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE FOR POLITICAL SUBDIVISIONS***

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

We have audited the 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, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 3, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories, except we did not test for Tax Increment Financing as the City has no tax increment districts.

The results of our tests indicate that for the items tested, the City of Ranier, Minnesota, complied with the material terms and conditions of applicable legal provisions, except for the following finding as listed in the schedule of findings and responses as item 2013-2.

This report is intended solely for the use of and information of the City Council, the management of the City of Ranier, Minnesota, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Miller McDonald, Inc.*

**June 3, 2014  
 Bemidji, Minnesota**



MILLER MCDONALD, INC.  
*Certified Public Accountants*  
 513 Beltrami Avenue  
 P.O. Box 486  
 Bemidji, MN 56619  
 (218) 751 - 6300  
 Fax (218) 751 - 0782  
 www.millermcdonald.com

**INDEPENDENT AUDITOR'S 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, 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 City of Ranier, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Ranier, Minnesota's basic financial statements, and have issued our report thereon dated June 3, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Ranier, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ranier, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ranier, Minnesota'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 entity'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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-1, 2007-1, and 2007-2 that we consider to be significant deficiencies.

City of Ranier, Minnesota

**Compliance and Other Matters**

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

**City of Ranier, Minnesota's Response to Findings**

City of Ranier, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Ranier, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

*Miller McDonald, Inc.*

June 3, 2014  
Bemidji, Minnesota



**CITY OF RANIER, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**A. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

**ITEMS ARISING IN THE CURRENT YEAR**

**Finding 2013-1 – Internal Control over Cash Disbursements**

**Condition**

The City Clerk has access to the Mayor’s signature stamp, giving the City Clerk the ability to sign and disburse checks without an additional City Council member, effectively negating the limited internal control the City maintains over cash disbursements.

**Criteria**

The City should have internal controls in place to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Effect**

The impact on the financial statements is that the potential exists that a material misstatement could exist in the financial statements.

**Cause**

The City has not adopted an internal control policy to alleviate the problems occurring when the Mayor is unavailable to review and approve cash disbursements.

**Recommendation**

We recommend that the City adopt and implement an internal control policy to delegate the authority of the review and approval of cash disbursements to another City Council member when the Mayor is unavailable to perform this internal control procedure.

**Managements Response and Corrective Action Plan**

**A. Explanation of Disagreement with Audit Finding**

*There is no disagreement with the audit finding.*

**B. Actions Planned in Response to Finding**

*No action is planned on the finding.*

**C. Official Responsible for Ensuring CAP Implementation**

*Sherril Gautreaux, City Administrator*

**D. Planned Completion of CAP**

*Ongoing*

**CITY OF RANIER, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**E. Plan to Monitor Completion of CAP**

*Management and the City Council is aware of the deficiency and addresses it by reviewing and approving the year-end adjusting journal entries and the completed financial statement prior to distribution to the users of the financial statements.*

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED DURING THE YEAR**

**Finding 2007-1 - Segregation of Accounting Duties**

**Condition**

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction. The following duties are not sufficiently segregated:

1. Accounts payable processing, check writing, payment and recording.
2. Payroll processing, check writing, check distribution and recording.
3. Cash receipting, depositing and recording.
4. Reconciling the monthly bank statement.
5. Journal entry preparation and recording.

Together these functions create an opportunity for misappropriation of the City's assets and more than a remote likelihood of a material misstatement. The City does mitigate control in accounts payable and payroll functions in that the City Council, on a monthly basis, reviews the invoices and checks that are written.

**Criteria**

Proper segregation of duties mitigates the risk of misappropriation of assets and the timeliness

**Effect**

The impact to the financial statements has not been determined.

**Cause**

The City operates in an environment that is highly regulated and funded by the State of Minnesota and property taxes on local citizens. As a result of this regulatory oversight and the level of funding, the City does not feel at liberty to fund the additional positions necessary to achieve adequate accounting control.

**Recommendation**

This situation dictates that the Council members remain involved in the financial affairs of the City to provide oversight and independent review functions.

**Managements Response and Corrective Action Plan**

**A. Explanation of Disagreement with Audit Finding**

*There is no disagreement with the audit finding.*

**CITY OF RANIER, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**B. Actions Planned in Response to Finding**

*The City will implement review procedures in the area of bank reconciliations, receipting and depositing of cash, payroll processing, and payments to vendors.*

**C. Official Responsible for Ensuring CAP Implementation**

*City Council.*

**D. Planned Completion of CAP**

*Ongoing.*

**E. Plan to Monitor Completion of CAP**

*City Council will monitor the CAP through the regular monthly City Council meetings.*

**Finding 2007-2 – Internal Control Over Financial Reporting**

**Condition**

The City does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with generally accepted accounting principles basis of accounting. The City's Administrator prepares periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have the internal resources to identify all journal entries that would be required to maintain a general ledger and to prepare the full-disclosure financial statements for external reporting. The City Council is aware of this condition and addresses it by obtaining the Auditor's assistance in the preparation of the City's annual financial statements.

**Criteria**

The City should have controls in place to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

**Effect**

The impact on the financial statements is that the potential exists that a material misstatement could exist in the financial statements.

**Cause**

The City has not adopted an internal control policy over the annual financial reporting under generally accepted accounting principles; however, management has reviewed and approved the annual financial statements as prepared by the audit firm.

**Recommendation**

We recommend that management become knowledgeable in financial statement preparation so that management can prepare the financial statements for audit purposes. If management does not feel that it desires to obtain this knowledge and expertise then it should consider contracting with a third party accountant that would prepare year-end adjusting entries to the financial records and also prepare the financial statement for audit purposes.

**CITY OF RANIER, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Managements Response and Corrective Action Plan**

**F. Explanation of Disagreement with Audit Finding**

*There is no disagreement with the audit finding.*

**G. Actions Planned in Response to Finding**

*No action is planned on the finding. The City's management does not have the knowledge or expertise that is necessary to prepare the financial statement nor does it feel that it can obtain the knowledge without additional cost to the City. Management will continue to have the auditor prepare the financial statements.*

**H. Official Responsible for Ensuring CAP Implementation**

*Sherril Gautreaux, City Administrator*

**I. Planned Completion of CAP**

*Ongoing.*

**J. Plan to Monitor Completion of CAP**

*Management and the City Council is aware of the deficiency and addresses it by reviewing and approving the year-end adjusting journal entries and the completed financial statement prior to distribution to the users of the financial statements.*

**B. FINDINGS RELATED TO COMPLIANCE IN ACCORDANCE WITH MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE FOR POLITICAL SUBDIVISIONS**

**Finding 2013-2 – Declaration for Payment**

**Condition**

Minnesota Statute § 471.38, subdivision 2, states that “each City payment, with a few exceptions, be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid”. In lieu of such a declaration, the City may place a statement on the back of the City's checks “when endorsed by the payee named in the check or order-check, such statement shall operate and shall be deemed sufficient as the required declaration of the claim”.

**Recommendation**

We recommend the following statement be added to the back of the City's check stock – “The undersigned payee, in endorsing his check declares that the same is received in payment of a just and correct claim against the City, and that no part of it has heretofore been paid.”

**Managements Response and Corrective Action Plan**

Management has indicated that the statement is now stamped on the blank check stock and the statement will be placed on the back of the check when reordering check stock.

**CITY OF RANIER, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**PREVIOUSLY REPORTED ITEMS RESOLVED DURING THE YEAR**

**Finding 2010-2 – Unclaimed Property**

**Condition**

Minnesota Statutes §§ 345.38-.43, state any unclaimed or uncashed checks or other intangible property held for more than three years (or one year for unpaid compensation); be reported and paid or delivered to the state Commissioner of Commerce.

**Corrective Action**

The City had no unclaimed property meeting the above description as of the year end December 31, 2013.