

**CITY OF MANHATTAN BEACH
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2016**

CITY OF MANHATTAN BEACH

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Principal City Officials 1

FINANCIAL SECTION

Independent Auditor’s Report2 – 3

Statement of Balances Arising From Cash Transactions – Governmental Funds..... 4

Statement of Cash Receipts, Disbursements, and Changes in Cash Fund
Balances - Governmental Funds..... 5

Notes to Financial Statements6 – 13

SUPPLEMENTARY INFORMATION SECTION

Budgetary Comparison Schedule – Regulatory Basis – General Fund.....14 – 15

Schedule of Accounts Receivable..... 16

Schedule of Accounts Payable 16

OTHER REPORT SECTION

Independent Auditor’s Report on Minnesota Legal Compliance 17

INTRODUCTORY SECTION

**CITY OF MANHATTAN BEACH
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2016**

| POSITION | TERMS EXPIRE | NAME |
|-----------------|---------------------|-------------|
|-----------------|---------------------|-------------|

ELECTED OFFICIALS

| | | |
|------------------------------|----------|---------------------|
| Mayor | 12/31/18 | Paul Allen |
| Mayor Pro Tem/Council Member | 12/31/16 | Janis Allen |
| Council Member | 12/31/18 | Clyde Brodt |
| Council Member | 12/31/18 | Marlene Yunek |
| Clerk/Treasurer | | Barb Hanson-Wannebo |

APPOINTED OFFICIALS

| | | |
|----------|--|--------------------------------|
| Attorney | | Ryan, Brucker & Kalis, Ltd. |
| Auditor | | Justin, Clasen & Company, Ltd. |

FINANCIAL SECTION



JUSTIN CLASEN & COMPANY, LTD.

Certified Public Accountants & Consultants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Manhattan Beach
Manhattan Beach, Minnesota

We have audited the accompanying financial statements of each major fund of the City of Manhattan Beach, Minnesota (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the City as of December 31, 2016, and changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with the accounting practices prescribed by the Minnesota Office of the State Auditor as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory and supplementary information 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated May 15, 2017, on our consideration on the City's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



Justin, Clasen & Company, Ltd.
Certified Public Accountants

Pequot Lakes, Minnesota
May 15, 2017

**CITY OF MANHATTAN BEACH
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

| | GENERAL | TAX INCREMENT FINANCING | TOTAL GOVERNMENTAL FUNDS |
|--|------------|-------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 291,044 | \$ 55,881 | \$ 346,925 |
| Total Assets | \$ 291,044 | \$ 55,881 | \$ 346,925 |
| LIABILITIES | \$ - | \$ - | \$ - |
| CASH FUND BALANCES | | | |
| Restricted | - | 55,881 | 55,881 |
| Unassigned | 291,044 | - | 291,044 |
| Total Cash Fund Balances | 291,044 | 55,881 | 346,925 |
| Total Liabilities and Cash Fund Balances | \$ 291,044 | \$ 55,881 | \$ 346,925 |

**CITY OF MANHATTAN BEACH
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016**

| | GENERAL | TAX INCREMENT FINANCING | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|-------------------------------|--------------------------------|
| RECEIPTS | | | |
| Property Taxes | \$ 65,035 | \$ - | \$ 65,035 |
| Licenses and Permits | 3,010 | - | 3,010 |
| Intergovernmental | 199 | - | 199 |
| Fines and Forfeits | 122 | - | 122 |
| Investment Earnings | 68 | - | 68 |
| Miscellaneous | 9 | - | 9 |
| Total Receipts | <u>68,443</u> | <u>-</u> | <u>68,443</u> |
| DISBURSEMENTS | | | |
| Current | | | |
| General Government | 41,222 | - | 41,222 |
| Public Safety | 10,166 | - | 10,166 |
| Streets and Highways | 1,959 | - | 1,959 |
| Economic Development | - | 675 | 675 |
| Miscellaneous | 125 | - | 125 |
| Total Disbursements | <u>53,472</u> | <u>675</u> | <u>54,147</u> |
| NET CHANGE IN CASH FUND BALANCES | <u>14,971</u> | <u>(675)</u> | <u>14,296</u> |
| Cash Fund Balances - Beginning | <u>276,073</u> | <u>56,556</u> | <u>332,629</u> |
| CASH FUND BALANCES - ENDING | <u>\$ 291,044</u> | <u>\$ 55,881</u> | <u>\$ 346,925</u> |

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City was incorporated under the laws of the State of Minnesota and operates under an elected Mayor-Council form of government. The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. 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 the potential component unit is fiscally dependent upon the City. Based on these criteria, there are no organizations considered to be component units of the City.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

B. Basis of Presentation - Fund Accounting

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City has no proprietary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- § Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

Governmental Funds

General Fund – To account for all financial resources not accounted for and reported in another fund.

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds (Continued)

Special Revenue Fund – To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Major Funds

The funds are further classified as major:

| Fund | Description |
|-----------------|---------------------|
| Governmental: | |
| General | As described above. |
| Special Revenue | As described above. |

During the current year all funds were considered major.

C. Measurement Focus and Basis of Accounting

The City follows the regulatory basis of accounting for all funds. The Statement of Balances Arising From Cash Transactions and Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances were prepared on the regulatory basis and accordingly, revenues and expenditures are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses, capital assets, debts, and inventory and accordingly, are not presented in accordance with U.S. generally accepted accounting principles. These procedures are in accordance with *City Audited Financial Statements for Cities Under 2,500 in Population Reporting on the Regulatory Basis of Accounting* as prescribed by the Office of the State Auditor, which is a special purpose framework other than accounting principles generally accepted in the United States of America.

D. Assets, Liabilities, and Fund Balance

1. Cash, Cash Equivalents, and Investments

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

2. Fund Balance

In the fund financial statements, cash fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in Governmental Funds.

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balance (Continued)

2. Fund Balance (Continued)

a. Governmental Cash Fund Balances:

In the governmental fund financial statements, cash fund balances are classified as follows:

- § **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. There is no nonspendable cash fund balance at December 31, 2016.
- § **Restricted** – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- § **Committed** – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. There is no committed cash fund balance at December 31, 2016.
- § **Assigned** – Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. There is no assigned cash fund balance at December 31, 2016.
- § **Unassigned** – All amounts not included in other spendable classifications.

b. Use of Restricted Resources:

The City does not have a fund balance policy. If resources from more than one fund balance classification could be spent, it is expected that the City Council will spend resources from fund balance classifications in the following order (first to last, according to the hierarchy set forth by the standard): restricted, committed, assigned, and unassigned or, as special circumstances arise, pending the City Council's approval.

3. Capital Assets

In the Fund Financial Statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds upon acquisition.

Capital assets include property, plant and equipment.

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receipts and Disbursements

1. Property Tax Revenue

The City levies its property taxes for the subsequent year during the month of December. Crow Wing County is the collecting agency for the levy and then remits the collections to the City. The City receives its taxes in two installments in July and December.

The property tax levy in 2016 includes certain state credits that are distributed to the City directly by the state. These credits are classified as intergovernmental revenue.

2. Disbursements

In the fund financial statements, disbursements are classified as follows:

| | |
|-----------------------------------|--|
| Governmental Funds - By Character | Current (further classified by function) Capital Outlay Other Financing Uses |
|-----------------------------------|--|

F. Budgetary Information

Annual budgets for the General Fund are adopted on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the City Council. The original and final budget for the General Fund is presented in the supplementary information. All annual appropriations lapse at year end.

G. Use of Estimates

The preparation of financial statements in accordance with the regulatory basis requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At December 31, 2016, there were no compliance issues to be noted.

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as Cash and Cash Equivalents or Investments. Interest is allocated based on management's estimate of interest earned by fund. In accordance with *Minnesota Statutes* the City maintains deposits at financial institutions which are authorized by the City Council.

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (Continued)

1. Deposits

The City is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The City is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount of deposit at the close of the financial institution’s banking day, not covered by insurance or bonds.

Custodial Credit Risk

The risk that in the event of a financial institution failure, the City’s deposits may not be returned to it. It is the City’s policy that collateral or bonds will be required for all uninsured amounts on deposit, and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. As of December 31, 2016, the City’s deposits were not exposed to custodial credit risk.

Accounts held by an official custodian of a government unit will be insured as follows:

The Federal Deposit Insurance Corporation (FDIC) deposit coverage limit for bank depositors is \$250,000. If the depository bank is located in the State of Minnesota, government depositors are eligible for two separate \$250,000 coverages: one for all time/savings accounts and one for all demand accounts. For deposits in banks outside the State of Minnesota, government depositors have total coverage of \$250,000 for all demand and time/savings deposit accounts combined.

Authorized collateral includes:

- § U.S. government treasury bills, notes, or bonds;
- § issues of a U.S. government agency or instruments that are quoted by a recognized industry quotation service available to the government entity;
- § general obligation securities of a state or local government, with taxing powers, rated “A” or better;
- § revenue obligation of a state or local government with taxing powers, rated “AA” or better;
- § unrated general obligation securities of a local government with taxing powers pledged as collateral against funds deposited by that same local government entity;
- § an irrevocable standby letter of credit issued by Federal Home Loan Banks accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- § time deposits fully insured by any federal agency.

Cash balances consist of the following at December 31, 2016:

| Carrying Balance | Bank Balance |
|---------------------|-----------------|
| \$ 346,925 | \$ 377,997 |

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (Continued)

2. Investments

The City has an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes 118A.04 and 118A.05 as follows:

- § Governmental bonds, notes, bills, mortgages, and other 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, excluding mortgage-backed securities defined as “high risk”;
- § General obligations of a state or local government with taxing powers rated “A” or better by a national bond rating service;
- § Revenue obligations of a state or local government with taxing powers rated “AA” or better by a national bond rating service;
- § General obligations of the Minnesota Housing Finance Agency which was a moral obligation of the State of Minnesota and is rated “A” or better by a national bond rating service;
- § An obligation of a school district with an original maturity not exceeding 13 months and rated in the highest category by a national bond rating service or enrolled in the credit enhancement program;
- § Commercial paper issued by a United States corporation or its Canadian subsidiary that is rated in the highest quality category by at least two nationally recognized rating agencies, and matures in 270 days or less;
- § Time deposits fully insured by the Federal Deposit Insurance Corporation;
- § Bankers Acceptances issued by United States banks;
- § High risk mortgage-backed securities that are interest only or principal only or a mortgage derivative security that has an average life greater than 10 years or securities that will have a price change of more than 17%;
- § Its own temporary obligations issued under Minn. Stat. §§ 429.091, subd. 7 (special assessments), 469.178 subd. 5 (tax increment bonds), or 475.61, subd. 6;
- § Bonds issued by Minnesota State Colleges or Universities under Minn. Stat. 136F.90 & 136F.98.
- § Funds held in a debt service fund may be used to purchase an obligation of an issue which is payable from the fund.

Interest Rate Risk

The risk that changes in interest rates could adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations

Credit Risk

The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City’s policy to invest only in securities that meet the ratings requirements set by statute.

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (Continued)

2. Investments (Continued)

Custodial Credit Risk

The risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2016, the City is not exposed to custodial credit risk.

Concentration of Credit Risk

The risk of loss that may be caused by the City's investment in a single issuer. The City places no limit on the amount that it may invest in any one issuer.

The City had no investments at December 31, 2016.

B. Interfund Transfers

There were no interfund transfers during 2016.

C. Long-term Liabilities

There were no long-term liabilities at December 31, 2016.

D. Cash Fund Balances

At December 31, 2016, Governmental Cash Fund Balances consist of the following:

| | <u>General</u> | <u>Tax Increment Financing</u> | <u>Total Governmental Funds</u> |
|--------------------------|-------------------|--|---|
| Restricted for: | | | |
| Tax Increment Financing | \$ - | \$ 55,881 | \$ 55,881 |
| Unassigned | 291,044 | - | 291,044 |
| Total Cash Fund Balances | <u>\$ 291,044</u> | <u>\$ 55,881</u> | <u>\$ 346,925</u> |

NOTE 4 OTHER NOTES

A. Contracts

Crosslake Fire Department

The City has a contract with the Crosslake Fire Department to provide firefighting and emergency medical services to the City. In 2016, the City paid the Crosslake Fire Department \$10,166.

**CITY OF MANHATTAN BEACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 OTHER NOTES (CONTINUED)

B. 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 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 a common risk management and insurance program for Minnesota cities. The agreement for the formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event.

The pooling agreement allows for the pool to 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 taken as a whole.

C. Contingent Liability

The City is currently under threat of two potential lawsuits. Because it is not known if these lawsuits will actually occur, the potential outcome is not readily determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

NOTE 5 SUBSEQUENT EVENTS

The City is required to repay Crow Wing County \$56,556 for excess Tax Increment Financing (TIF). The payment was made in 2017.

SUPPLEMENTARY INFORMATION SECTION

**CITY OF MANHATTAN BEACH
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|------------------|------------|-------------------|---|
| | ORIGINAL | FINAL | | |
| Beginning Cash Fund Balance - January 1 | \$ 276,073 | \$ 276,073 | \$ 276,073 | \$ - |
| RECEIPTS | | | | |
| Taxes | | | | |
| Property Taxes | | | | |
| Current, Delinquent, Penalties, and Interest | 70,000 | 70,000 | 65,035 | (4,965) |
| Total Taxes | 70,000 | 70,000 | 65,035 | (4,965) |
| Licenses and Permits | | | | |
| Business | - | - | 2,050 | 2,050 |
| Non-Business | 1,000 | 1,000 | 960 | (40) |
| Total Taxes | 1,000 | 1,000 | 3,010 | 2,010 |
| Intergovernmental | | | | |
| Federal Grants | | | | |
| Federal in Lieu | - | - | 59 | 59 |
| State Grants | | | | |
| Market Value Credit | - | - | 140 | 140 |
| Total Intergovernmental | - | - | 199 | 199 |
| Fines and Forfeits | | | | |
| Fines | - | - | 122 | 122 |
| Miscellaneous | | | | |
| Investment Earning | - | - | 68 | 68 |
| Other | - | - | 9 | 9 |
| Total Miscellaneous | - | - | 77 | 77 |
| Total Receipts | 71,000 | 71,000 | 68,443 | (2,557) |
| Amounts Available for Appropriation | 347,073 | 347,073 | 344,516 | (2,557) |
| DISBURSEMENTS | | | | |
| General Government | | | | |
| Mayor and Council | | | | |
| Current | 6,180 | 6,180 | 6,555 | (375) |
| Finance-City Clerk/Treasurer | | | | |
| Current | 7,500 | 7,500 | 7,625 | (125) |
| Accounting | | | | |
| Current | 5,000 | 5,000 | - | 5,000 |
| Legal | | | | |
| Current | 7,500 | 7,500 | 14,327 | (6,827) |
| Planning and Zoning | | | | |
| Current | 6,300 | 6,300 | 5,445 | 855 |
| City Hall, General Government Buildings | | | | |
| Current | 3,000 | 3,000 | 3,387 | (387) |
| Other General Government | | | | |
| Current | 8,020 | 8,020 | 3,883 | 4,137 |
| Total General Government | 43,500 | 43,500 | 41,222 | 2,278 |
| Public Safety | | | | |
| Fire | | | | |
| Current | 14,500 | 14,500 | 10,166 | 4,334 |
| Total Public Safety | 14,500 | 14,500 | 10,166 | 4,334 |

**CITY OF MANHATTAN BEACH
 BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016
 (CONTINUED)**

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|----------------------------------|-------------------|-------------------|-------------------|---|
| | ORIGINAL | FINAL | | |
| DISBURSEMENTS (CONTINUED) | | | | |
| Streets and Highways | | | | |
| Street Maintenance | | | | |
| Current | - | - | 1,087 | (1,087) |
| Snow and Ice Removal | | | | |
| Current | 2,000 | 2,000 | 872 | 1,128 |
| Total Streets and Highways | <u>2,000</u> | <u>2,000</u> | <u>1,959</u> | <u>41</u> |
| Miscellaneous | | | | |
| Donations | | | | |
| Current | - | - | 125 | (125) |
| Total Miscellaneous | <u>-</u> | <u>-</u> | <u>125</u> | <u>(125)</u> |
| Total Disbursements | <u>60,000</u> | <u>60,000</u> | <u>53,472</u> | <u>6,528</u> |
| CASH FUND BALANCE - DECEMBER 31 | <u>\$ 287,073</u> | <u>\$ 287,073</u> | <u>\$ 291,044</u> | <u>\$ 3,971</u> |

**CITY OF MANHATTAN BEACH
SCHEDULE OF ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016**

| FUND | SOURCE OF REVENUE AND PURPOSE | AMOUNT |
|---------|-------------------------------|-----------------|
| General | Cass County Property Taxes | <u>\$ 4,164</u> |

**SCHEDULE OF ACCOUNTS PAYABLE
YEAR ENDED DECEMBER 31, 2016**

| FUND | VENDOR NAME | ITEM AND PURPOSE | CHECK NUMBER | AMOUNT |
|--------------------|---------------------------------|----------------------------|--------------|------------------|
| General | G & S Plants | Flowers | 2985 | \$ 50 |
| General | Barb Hanson | Salary | 2986 | 625 |
| General | Northland Press | Legal Notice | 2987 | 153 |
| General | Crow Wing Cty Auditor-Treasurer | Mail Ballot Fees | 2988 | 115 |
| General | Hanson Property Services LLC | Snow Plowing | 2989 | 108 |
| General | National Joint Powers Alliance | Planning & Zoning Services | 2990 | 400 |
| General | National Joint Powers Alliance | Planning & Zoning Services | 2995 | 162 |
| General | Ryan, Brucker & Kalis, Ltd. | Legal Services | 3001 | 1,751 |
| General | Crow Wing Power | Electric | 3002 | 205 |
| General | Hanson Property Services LLC | Snow Plowing | 3003 | 108 |
| Tax Increment Fin. | Crow Wing County | Excess TIF | 3004 | 56,556 |
| | | | | <u>\$ 60,233</u> |

OTHER REPORT SECTION



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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Manhattan Beach
Manhattan Beach, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Manhattan Beach, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2017.

The Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except that they did not comply with the public purpose policy. 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.

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

Justin, Clasen & Company, Ltd.
Certified Public Accountants

Pequot Lakes, Minnesota
May 15, 2017