

CITY OF BREEZY POINT, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025



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INTRODUCTORY SECTION

**CITY OF BREEZY POINT, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2025**

ELECTED	NAME	TERM EXPIRES
	Mayor – Todd Roggenkamp	12/31/2026
	<u>Council Members:</u>	
	Michael Moroni	12/31/2026
	Rebecca Ball	12/31/2028
	Steven Jensen	12/31/2028
	Brad Scott	12/31/2026

APPOINTED	TITLE / NAME
	City Administrator – Allie Polsfuss
	Auditor – CliftonLarsonAllen LLP

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Breezy Point
Breezy Point, Minnesota

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Breezy Point, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Honorable Mayor and
Members of the City Council
City of Breezy Point

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Honorable Mayor and
Members of the City Council
City of Breezy Point

Required Supplementary Information

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

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require 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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Brainerd, Minnesota
May 14, 2026

BASIC FINANCIAL STATEMENTS

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 3,774,768	\$ 4,406,595	\$ 8,181,363
Receivables:			
Taxes	103,762	-	103,762
Accounts	6,573	109,465	116,038
Special Assessments	222,878	453,351	676,229
Prepays	154,318	4,768	159,086
Due from Other Governments	740	-	740
Note Receivable	1,335,000	-	1,335,000
Capital Assets:			
Land and Construction In Progress	2,672,754	146,875	2,819,629
Other Capital Assets, Net of Depreciation	8,276,846	3,040,961	11,317,807
Total Assets	16,547,639	8,162,015	24,709,654
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,004,318	48,815	1,053,133
LIABILITIES			
Accounts Payable	347,992	35,956	383,948
Accrued Liabilities	18,430	5,194	23,624
Unearned Revenue	-	7,828	7,828
Long-Term Liabilities - Due Within One Year	130,735	3,419	134,154
Long-Term Liabilities - Due in More Than One Year	1,602,649	18,672	1,621,321
Net Pension Liability	757,051	104,350	861,401
Total Liabilities	2,856,857	175,419	3,032,276
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,137,881	81,590	1,219,471
NET POSITION			
Net Investment in Capital Assets	10,949,600	3,187,836	14,137,436
Restricted for:			
Tax Increment Financing	8,082	-	8,082
Cemetery Operations	222,122	-	222,122
Capital Outlay	46,648	-	46,648
Debt Service	497,293	-	497,293
Unrestricted	1,833,474	4,765,985	6,599,459
Total Net Position	\$ 13,557,219	\$ 7,953,821	\$ 21,511,040

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,212,998	\$ 317,379	\$ -	\$ -	\$ (895,619)	\$ -	\$ (895,619)
Public Safety	2,165,761	97,800	102,944	-	(1,965,017)	-	(1,965,017)
Streets and Highways	939,682	44,358	-	-	(895,324)	-	(895,324)
Culture and Recreation	87,097	-	-	-	(87,097)	-	(87,097)
Economic Development	1,780	-	-	-	(1,780)	-	(1,780)
Cemetery	24,333	17,196	-	-	(7,137)	-	(7,137)
Debt Service	46,949	-	-	-	(46,949)	-	(46,949)
Total Governmental Activities	4,478,600	476,733	102,944	-	(3,898,923)	-	(3,898,923)
BUSINESS-TYPE ACTIVITIES							
Sewer	937,889	543,282	-	-	-	(394,607)	(394,607)
Total	\$ 5,416,489	\$ 1,020,015	\$ 102,944	\$ -	(3,898,923)	(394,607)	(4,293,530)
GENERAL REVENUES							
Taxes:							
Property Taxes, Levied for General Purpose					3,414,673	-	3,414,673
Grants and Contributions not Restricted to Specific Programs					49,288	-	49,288
Unrestricted Investment Earnings					151,421	172,997	324,418
Gain on Sale of Capital Assets					-	800	800
Miscellaneous					139,744	-	139,744
Total General Revenues					3,755,126	173,797	3,928,923
CHANGES IN NET POSITION							
					(143,797)	(220,810)	(364,607)
Net Position - Beginning of Year					13,701,016	8,174,631	21,875,647
NET POSITION - END OF YEAR					\$ 13,557,219	\$ 7,953,821	\$ 21,511,040

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

	General Fund	Cemetery Fund	EDA Fund	Debt Service Fund
ASSETS				
Cash and Investments	\$ 1,891,291	\$ 221,680	\$ 4,819	\$ 608,476
Receivables:				
Taxes	103,762	-	-	-
Accounts	15	300	-	-
Special Assessments	-	-	-	5,777
Due from Other Governments	740	-	-	-
Note Receivable	-	-	-	1,335,000
Prepays	148,668	237	-	367
	<u>\$ 2,144,476</u>	<u>\$ 222,217</u>	<u>\$ 4,819</u>	<u>\$ 1,949,620</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 271,464	\$ 95	\$ -	\$ 400
Accrued Liabilities	18,430	-	-	-
Total Liabilities	<u>289,894</u>	<u>95</u>	<u>-</u>	<u>400</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes and Special Assessments	47,492	-	-	3,679
FUND BALANCES				
Nonspendable	148,668	237	-	-
Restricted	-	221,885	-	1,945,541
Committed	-	-	4,819	-
Unassigned	1,658,422	-	-	-
Total Fund Balances	<u>1,807,090</u>	<u>222,122</u>	<u>4,819</u>	<u>1,945,541</u>
	<u>\$ 2,144,476</u>	<u>\$ 222,217</u>	<u>\$ 4,819</u>	<u>\$ 1,949,620</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,144,476</u>	<u>\$ 222,217</u>	<u>\$ 4,819</u>	<u>\$ 1,949,620</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

	Revolving Capital Fund	Whitebirch TIF Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,040,420	\$ 8,082	\$ 3,774,768
Receivables:			
Taxes	-	-	103,762
Accounts	6,258	-	6,573
Special Assessments	217,101	-	222,878
Due from Other Governments	-	-	740
Note Receivable	-	-	1,335,000
Prepays	5,046	-	154,318
	<u>\$ 1,268,825</u>	<u>\$ 8,082</u>	<u>\$ 5,598,039</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 76,033	\$ -	\$ 347,992
Accrued Liabilities	-	-	18,430
Total Liabilities	<u>76,033</u>	<u>-</u>	<u>366,422</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes and Special Assessments	213,211	-	264,382
FUND BALANCES			
Nonspendable	-	-	148,905
Restricted	46,648	8,082	2,222,156
Committed	932,933	-	937,752
Unassigned	-	-	1,658,422
Total Fund Balances	<u>979,581</u>	<u>8,082</u>	<u>4,967,235</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,268,825</u>	<u>\$ 8,082</u>	<u>\$ 5,598,039</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2025**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance - Governmental Funds		\$ 4,967,235
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 2,019,126	
Construction in Progress	653,628	
Land Improvement, Net of Accumulated Depreciation	2,831,334	
Buildings and Improvements, Net of Accumulated Depreciation	4,221,194	
Vehicles, Net of Accumulated Depreciation	946,670	
Equipment, Net of Accumulated Depreciation	<u>277,648</u>	10,949,600
Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
		264,382
Net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(757,051)	
Deferred Inflows of Resources - Pension Related	(1,137,881)	
Deferred Outflows of Resources - Pension Related	<u>1,004,318</u>	(890,614)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds Payable		(1,335,000)
Compensated Absences Payable		(281,457)
Bond Premium		<u>(116,927)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position		<u><u>\$ 13,557,219</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Cemetery Fund	EDA Fund	Debt Service Fund
REVENUES				
Property Taxes	\$ 3,078,746	\$ 20,000	\$ 3,650	\$ 280,000
Special Assessments	-	-	-	-
Licenses and Permits	279,924	-	-	-
Intergovernmental	197,121	-	-	-
Charges for Services	127,053	17,196	-	-
Fines and Forfeits	17,972	-	-	-
Investment Earnings (Losses)	63,842	8,316	174	16,606
Contributions and Donations	150	-	-	-
Other	30,043	4,098	-	60,569
Total Revenues	<u>3,794,851</u>	<u>49,610</u>	<u>3,824</u>	<u>357,175</u>
EXPENDITURES				
Current:				
General Government	872,072	-	-	-
Public Safety	1,790,762	-	-	-
Streets and Highways	498,173	833	-	32
Culture and Recreation	63,302	-	-	-
Economic Development	-	-	1,675	-
Cemetery	-	23,500	-	-
Debt Service:				
Interest and Other Charges	-	-	-	60,569
Capital Outlay	97,479	-	-	-
Total Expenditures	<u>3,321,788</u>	<u>24,333</u>	<u>1,675</u>	<u>60,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	473,063	25,277	2,149	296,574
OTHER FINANCING SOURCES (USES)				
Transfers In	5,000	-	-	-
Transfers Out	<u>(527,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(522,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(48,937)	20,277	2,149	296,574
Fund Balance - Beginning of Year	<u>1,856,027</u>	<u>201,845</u>	<u>2,670</u>	<u>1,648,967</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,807,090</u>	<u>\$ 222,122</u>	<u>\$ 4,819</u>	<u>\$ 1,945,541</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	Revolving Capital Fund	Whitebirch TIF Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ -	\$ 16,094	\$ 3,398,490
Special Assessments	46,843	-	46,843
Licenses and Permits	-	-	279,924
Intergovernmental	-	-	197,121
Charges for Services	11,163	-	155,412
Fines and Forfeits	498	-	18,470
Investment Earnings (Losses)	62,483	-	151,421
Contributions and Donations	975	-	1,125
Other	28,874	-	123,584
Total Revenues	<u>150,836</u>	<u>16,094</u>	<u>4,372,390</u>
EXPENDITURES			
Current:			
General Government	239,316	-	1,111,388
Public Safety	-	-	1,790,762
Streets and Highways	23,955	-	522,993
Culture and Recreation	-	-	63,302
Economic Development	-	13,970	15,645
Cemetery	-	-	23,500
Debt Service:			
Interest and Other Charges	-	-	60,569
Capital Outlay	3,040,960	-	3,138,439
Total Expenditures	<u>3,304,231</u>	<u>13,970</u>	<u>6,726,598</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,153,395)	2,124	(2,354,208)
OTHER FINANCING SOURCES (USES)			
Transfers In	527,000	-	532,000
Transfers Out	-	-	(532,000)
Total Other Financing Sources (Uses)	<u>527,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,626,395)	2,124	(2,354,208)
Fund Balance - Beginning of Year	<u>3,605,976</u>	<u>5,958</u>	<u>7,321,443</u>
FUND BALANCE - END OF YEAR	<u>\$ 979,581</u>	<u>\$ 8,082</u>	<u>\$ 4,967,235</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balance - Total Governmental Funds \$ (2,354,208)

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

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

Capital Outlays	3,101,174
Depreciation Expense	(817,725)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. 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 of when it is due. The net effect of these differences is the treatment of general obligation bonds and related items as follows:

Amortization of Bond Premium	13,652
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In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid. (94,197)

Delinquent and unavailable property taxes will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.

Deferred Inflows of Resources - December 31, 2024	\$ (284,800)	
Deferred Inflows of Resources - December 31, 2025	<u>264,382</u>	(20,418)

Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources. 27,925

Change in Net Position of Governmental Activities as Reported on the Statement of Activities	<u><u>\$ (143,797)</u></u>
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**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2025**

	Enterprise Fund Sewer
ASSETS	
Cash and Investments	\$ 4,406,595
Receivables:	
Accounts	109,465
Special Assessments	453,351
Prepays	4,768
Capital Assets:	
Land and Construction in Progress	146,875
Other Capital Assets, Net of Accumulated Depreciation	3,040,961
Total Assets	8,162,015
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	48,815
LIABILITIES	
Current Liabilities:	
Accounts Payable	35,956
Salaries Payable	5,194
Accrued Compensated Absences	3,419
Unearned Revenue	7,828
Total Current Liabilities	52,397
Long-Term Liabilities:	
Net Pension Liability	104,350
Accrued Compensated Absences	18,672
Total Long-Term Liabilities	123,022
Total Liabilities	175,419
DEFERRED INFLOWS OF RESOURCES	
Pension Related	81,590
NET POSITION	
Net Investment in Capital Assets	3,187,836
Unrestricted	4,765,985
Total Net Position	\$ 7,953,821

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2025**

	Enterprise Fund Sewer
OPERATING REVENUES	
Charges for Services	\$ 472,413
OPERATING EXPENDITURES	
Personal Services	306,151
Employee Benefits	20,438
Professional Services	18,022
Utilities	32,847
Maintenance and Supplies	283,744
Depreciation	242,988
Insurance	13,520
Other Services and Charges	20,179
Total Operating Expenditures	937,889
OPERATING LOSS	(465,476)
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings (Losses)	172,997
Gain on the Sale of Assets	800
Special Assessments	40,927
Hook Up Fees	29,925
Miscellaneous Receipts (Expenses)	17
Total Nonoperating Revenues (Expenses)	244,666
CHANGE IN NET POSITION	(220,810)
Net Position - Beginning of Year	8,174,631
NET POSITION - END OF YEAR	\$ 7,953,821

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2025**

	Enterprise Fund Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 469,876
Cash Paid to Employees for Services	(355,736)
Cash Paid to Suppliers for Goods and Services	(299,652)
Net Cash Used by Operating Activities	(185,512)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Revenues	17
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(74,920)
Sale of Assets	800
Special Assessments Received	75,289
Collection of Connection Charges	29,925
Net Cash Provided by Capital and Related Financing Activities	31,094
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings (Loss)	172,997
NET INCREASE IN CASH AND INVESTMENTS	18,596
Cash and Investments - Beginning of Year	4,387,999
CASH AND INVESTMENTS - END OF YEAR	\$ 4,406,595
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (465,476)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	242,988
Noncash Items Included in Operating Income	35,100
(Increase) Decrease in Assets:	
Accounts Receivable	(2,851)
Deferred Outflows of Resources - Pension Prepayments	5,154
	3,393
Increase (Decrease) in Liabilities:	
Accounts Payable	30,167
Accrued Liabilities	(9,700)
Accrued Compensated Absences	(23,219)
Unearned Revenue	314
Net Pension Liability	(7,636)
Deferred Inflows of Resources - Pension	6,254
Net Cash Used by Operating Activities	\$ (185,512)

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Breezy Point, Minnesota (the City) was formed and operates pursuant to applicable Minnesota laws. The City has a mayor-council form of government that is governed by an elected mayor and four-member council. Council members serve four-year terms, and the mayor serves a two-year term.

A. Financial Reporting Entity

The financial reporting entity consists of the Primary Government and the component units for which the Primary Government is financially accountable.

Component Units

Component units are legally separate entities for which the City (Primary Government) 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 a voting majority, or 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 on these criteria, there is one organization considered to be a component unit of the City. The Breezy Point Economic Development Authority (EDA) was established as a legal entity under Minnesota Statutes. Its purpose is to promote and provide incentives for economic development. The Authority includes City Council representation, and the City Council has final authority for EDA transactions including bonding, budgeting, and tax increment issues. The EDA is reported as a blended component unit for financial statement reporting and does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Separate financial statements are provided for governmental funds and the proprietary fund. The City has no fiduciary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. The City has no nonmajor funds.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt, acquisitions under lease liability, and lease purchase agreements are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major governmental funds:

General Fund

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

Cemetery Fund

The Cemetery Fund, a special revenue fund, accounts for charges for services that are restricted for the operations and maintenance of the cemetery.

EDA Fund

The EDA Fund, a special revenue fund, accounts for property tax levy that is committed for the operations of the EDA.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest, and related costs of governmental funds.

Revolving Capital Fund

The Revolving Capital Fund, a capital project fund, accounts for the proceeds of specific revenue sources that are restricted and committed to expenditures for specified purposes.

Whitebirch TIF Fund

The Whitebirch TIF Fund, a special revenue fund, is used to account for financial resources to for the Whitebirch TIF District activity. This fund collects tax increments which are used to repay the developer.

The City reports the following major proprietary fund:

Sewer Fund

The Sewer Fund is used to account for the sewer collection of the City.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP are used by the City are discussed below.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges to customers for sewer services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Investments

The City of Breezy Point's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested to the extent available in various securities as authorized by Minnesota Statutes. Investment earnings are allocated to all funds on the basis of average cash balances.

E. Property Taxes

Taxes which remain unpaid are classified as delinquent taxes receivable. Delinquent taxes represent the past seven years of uncollected tax years. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable in the fund financial statements because it is not known to be available to finance the operations of the City in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Property Tax Collection Calendar

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Taxes (Continued)

Property Tax Collection Calendar (Continued)

The county auditor makes up the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The county auditor also collects the majority of special assessments, except for certain prepayments paid directly to the City.

The county auditor turns over a list of taxes and special assessments to be collected on each parcel of property to the county treasurer in January of each year.

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

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

Within 10 business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

F. Accounts Receivable

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary.

G. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the County for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred inflow of resources at the time of the levy. The deferred inflow of resources is recognized as current revenue as the annual assessment installments become available. Interest on special assessments is also recognized when it becomes measurable and available.

Delinquent special assessments represent the past seven years of uncollected special assessments that have not been collected within 60 days of year-end.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Due from Other Governments

Amounts due from other governments is composed primarily of state and federal grants and aids for which the City has spent or will be incurring costs for the various grant purposes.

I. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements.

J. Capital Assets

Capital assets, which 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 government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount.

The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	5 to 25 Years
Buildings and Building Improvements	10 to 28 Years
Equipment and Vehicles	3 to 25 Years
Infrastructure	25 to 40 Years

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs.

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and allowable sick pay is accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Equity

Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance is the portion of fund balance that cannot be spent because it is either in nonspendable form or there is a legal or contractual requirement for the funds to remain intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the governmental body itself or by some person or body delegated to exercise such authority in accordance with the policy established by the Council.

Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. The City has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 40% to 45% of annual budgeted operating and debt service requirements.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year-end.

The City Council has the authority to establish or modify assigned fund balance.

When restricted and unrestricted fund balance is available for expenditure, it is the City's policy to first use restricted fund balance, and then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's policy to use committed, assigned, and then unassigned fund balance.

Net Position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the capital asset. Net position is reported as restricted in government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When restricted and unrestricted net position is available for an expense, it is the City's policy to use restricted first and then unrestricted.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets are prepared on the same basis of accounting as the financial statements. Each fall, the City Council adopts an annual budget for the following year for the General and certain Special Revenue Funds. The City Council may authorize transfer of budgeted amounts between departments within any fund. Comparisons of budgeted revenues and expenditures to actual are presented for the General Fund, Cemetery Fund (special revenue fund), EDA Fund (special revenue fund), and Whitebirch TIF Fund (special revenue fund).

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2025 were as follows:

Transfer Out	General Fund	Revolving Capital Fund	Total
General Fund	\$ -	\$ 527,000	\$ 527,000
Cemetery Fund	5,000	-	5,000
Total	<u>\$ 5,000</u>	<u>\$ 527,000</u>	<u>\$ 532,000</u>

The transfer from the General Fund to the Revolving Capital Fund is to fund land acquisitions, road improvements, signs, public works purchases, future equipment purchases, and adjust fund balance per the City's policy. The transfer from the Cemetery Fund to the General Fund is to cover cemetery maintenance costs. The transfer from the Revolving Capital Fund to the General Fund is to comply with the fund balance policy to maintain 45% of budgeted expenditures in General Fund unassigned fund balance.

NOTE 4 COMPONENTS OF FUND BALANCES

At December 31, 2025, portions of the City's fund balances were not available for appropriation due to legal restrictions (Restricted), Council intent (Committed) policy, and/or intent (Assigned).

The following is a summary of the components of fund balance:

	Nonspendable	Restricted	Committed	Assigned	Unassigned
Governmental Funds:					
General Fund:					
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ 1,658,422
Nonspendable	148,668	-	-	-	-
Subtotal General Fund	<u>148,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,658,422</u>
Cemetery Fund:					
Cemetery Operations	237	221,885	-	-	-
EDA Fund:					
EDA Operations	-	-	4,819	-	-
Debt Service	-	1,945,541	-	-	-
Revolving Capital Fund:					
Public Safety Operations/ Capital	-	46,648	-	-	-
Capital Projects	-	-	932,933	-	-
Total Revolving Capital Fund	<u>-</u>	<u>46,648</u>	<u>932,933</u>	<u>-</u>	<u>-</u>
Whitebirtch TIF Fund:					
Developer Payments	<u>-</u>	<u>8,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Funds					
Fund Balance	<u>\$ 148,905</u>	<u>\$ 2,222,156</u>	<u>\$ 937,752</u>	<u>\$ -</u>	<u>\$ 1,658,422</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 DEPOSITS AND INVESTMENTS

A. Deposits

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of balances arising from cash transactions as "Cash and Investments." In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk

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 does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The City's deposits in the banks at December 31, 2025 were entirely covered by federal depository insurance or collateral.

B. Investments

The City follows the investment policy and also invests its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At December 31, 2025, the City had the following investments:

Investment Type	Amount
Negotiable Certificate of Deposits	\$ 3,515,539
Money Market	2,784,379
Federal Home Loan Bank	244,037
Total	<u>\$ 6,543,955</u>

Credit Risk

Credit risk is 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.

Type	Credit Quality Rating	Amount
Negotiable Certificate of Deposits	N/R	\$ 3,515,539
Money Market	N/R	2,784,379
Federal Home Loan Bank	N/R	244,037
Total		<u>\$ 6,543,955</u>

Concentration of Credit Risk

The City follows the investment policy addressing the concentration of credit risk. The City did not have any investment in any one issuer that represents 5% or more of total investments as of December 31, 2025.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will 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.

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>25 to 60 Months</u>
Negotiable Certificate of Deposits	\$ 3,515,539	\$ 816,979	\$ 972,692	\$ 1,725,868	\$ -
Money Market	2,784,379	2,784,379	-	-	-
Federal Home Loan Bank	244,037	244,037	-	-	-
Total	<u>\$ 6,543,955</u>	<u>\$ 3,845,395</u>	<u>\$ 972,692</u>	<u>\$ 1,725,868</u>	<u>\$ -</u>

The deposits and investments are presented in these financial statements:

Deposits	\$ 1,637,408
Investments	6,543,955
Total Cash and Deposits	<u>\$ 8,181,363</u>
Cash - Governmental Funds	\$ 3,774,768
Cash - Proprietary Funds	4,406,595
Total Cash	<u>\$ 8,181,363</u>

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Negotiable CDs	\$ -	\$ 3,515,539	\$ -	\$ 3,515,539
Federal Home Loan Bank	-	244,037	-	244,037
Total	\$ -	\$ 3,759,576	\$ -	3,759,576
Investments Measured at Amortized				
Cost:				
Money Market				2,784,379
Total Investments				\$ 6,543,955

CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 2,011,619	\$ 7,507	\$ -	\$ 2,019,126
Construction in Progress	1,236,135	2,878,299	(3,460,806)	653,628
Total Capital Assets, Not Being Depreciated	<u>3,247,754</u>	<u>2,885,806</u>	<u>(3,460,806)</u>	<u>2,672,754</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,474,526	3,438,462	-	6,912,988
Improvements Other Than Buildings	89,571	3,302	-	92,873
Machinery and Equipment	2,494,346	212,780	(103,136)	2,603,990
Infrastructure	12,844,184	21,630	-	12,865,814
Subtotal	<u>18,902,627</u>	<u>3,676,174</u>	<u>(103,136)</u>	<u>22,475,665</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,473,628)	(218,165)	-	(2,691,793)
Improvements Other Than Buildings	(41,130)	(4,706)	-	(45,836)
Machinery and Equipment	(1,278,622)	(204,186)	103,136	(1,379,672)
Infrastructure	(9,690,850)	(390,668)	-	(10,081,518)
Subtotal	<u>(13,484,230)</u>	<u>(817,725)</u>	<u>103,136</u>	<u>(14,198,819)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,418,397</u>	<u>2,858,449</u>	<u>-</u>	<u>8,276,846</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,666,151</u>	<u>\$ 5,744,255</u>	<u>\$ (3,460,806)</u>	<u>\$ 10,949,600</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 146,875	\$ -	\$ -	\$ 146,875
Total Capital Assets, Not Being Depreciated	<u>146,875</u>	<u>-</u>	<u>-</u>	<u>146,875</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,814,177	-	-	4,814,177
Machinery and Equipment	543,544	74,920	(54,000)	564,464
Infrastructure	2,754,644	-	-	2,754,644
Subtotal	<u>8,112,365</u>	<u>74,920</u>	<u>(54,000)</u>	<u>8,133,285</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,613,901)	(165,806)	-	(2,779,707)
Machinery and Equipment	(296,540)	(29,303)	18,900	(306,943)
Infrastructure	(1,957,795)	(47,879)	-	(2,005,674)
Subtotal	<u>(4,868,236)</u>	<u>(242,988)</u>	<u>18,900</u>	<u>(5,092,324)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,244,129</u>	<u>(168,068)</u>	<u>(35,100)</u>	<u>3,040,961</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,391,004</u>	<u>\$ (168,068)</u>	<u>\$ (35,100)</u>	<u>\$ 3,187,836</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 130,611
Public Safety	482,175
Streets and Highways	181,460
Culture and Recreation	23,479
Total Depreciation Expense - Governmental Activities	<u>\$ 817,725</u>
Business-Type Activities:	
Sewer	\$ 242,988
Total Depreciation Expense - Business-Type Activities	<u>\$ 242,988</u>

NOTE 7 LIABILITIES

A. Long-Term Debt

Long-term obligations activity for the year ended December 31, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental Activities:					
\$1,335,000 General Obligation Equipment Certificates, Series 2024A	\$ 1,335,000	\$ -	\$ -	\$ 1,335,000	\$ 65,000
Unamortized Premiums	130,579	-	13,652	116,927	-
Compensated Absences	187,260	94,197	-	281,457	65,735
Total Governmental Activities	<u>\$ 1,652,839</u>	<u>\$ 94,197</u>	<u>\$ 13,652</u>	<u>\$ 1,733,384</u>	<u>\$ 130,735</u>
Business-Type Activities:					
Compensated Absences	\$ 45,310	\$ -	\$ 23,219	\$ 22,091	\$ 3,419

Compensated absences are shown as a net change.

In 2024, the City issued General Obligation Equipment Certificates, Series 2024A in the amount of \$1,335,000 on behalf of Pequot Lakes Fire District for the purchase of a firetruck. The Fire District will pay the City corresponding with the maturity schedules and interest rates of the G.O. Equipment Certificates. The obligation of the Fire District to make scheduled payments to the City is absolute and unqualified.

There was no activity on the receivable activity for the year between the Fire District and the City. The balance remains at \$1,335,000 as of December 31, 2025.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 7 LIABILITIES (CONTINUED)

A. Long-Term Debt (Continued)

General obligation debt payable at December 31, 2025, consists of the following:

Bonded Indebtedness	Interest Rate	Issue Date	Maturity Date	Original Issue Amount	Outstanding December 31, 2025
General Government:					
\$1,335,000 General Obligation Equipment Certificates, Series 2024A	4.00-5.00%	12/19/24	12/15/40	\$ 1,335,000	\$ 1,335,000
Plus: Unamortized Premium					116,927
Total General Government General Obligation Bonds, Net					<u>\$ 1,451,927</u>

Debt service requirements to maturity for the general obligation debt are as follows:

Year Ending December 31,	G.O. Equipment Certificates	
	Principal	Interest
2026	\$ 65,000	\$ 61,250
2027	65,000	58,000
2028	70,000	54,750
2029	70,000	51,250
2030	75,000	47,750
2031-2035	440,000	177,750
2036-2040	550,000	68,000
Total	<u>\$ 1,335,000</u>	<u>\$ 518,750</u>

NOTE 8 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Breezy point participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. Public Employees Police and Fire Plan

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City of Breezy Point was required to contribute 7.50% for General Plan members. The City of Breezy Point's contributions to the General Employees Fund for the year ended December 31, 2025, were \$60,480. The City of Breezy Point's contributions were equal to the required contributions as set by state statute.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City of Breezy Point was required to contribute 17.70% for Police and Fire Plan members. The City of Breezy Point's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$133,679. The City of Breezy Point's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2025, the City of Breezy Point reported a liability of \$289,863 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$6,992.

City's Proportionate Share of the Net Pension Liability	\$	289,863
State of Minnesota's Proportionate Share of the Net Pension Liability with the City		6,992
Total	\$	296,855

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0087% at the end of the measurement period and 0.0098% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of \$11,315 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional (\$1,073) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 27,618	\$ -
Changes in Actuarial Assumptions	6,984	66,697
Net Difference Between Projected and Actual Investment Earnings	-	115,339
Changes in Proportion	67,858	44,603
Contributions Paid to PERA Subsequent to the Measurement Date	33,136	-
Total	<u>\$ 135,596</u>	<u>\$ 226,639</u>

The \$33,136 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2026	\$ (8,943)
2027	(40,035)
2028	(54,598)
2029	(20,603)
Total	<u>\$ (124,179)</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$571,538 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City proportionate share was 0.0488% at the end of the measurement period and 0.0432% for the beginning of the period

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2025. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$19,812.

City's Proportionate Share of the Net Pension Liability	\$	571,538
State of Minnesota's Proportionate Share of the Net Pension Liability with the City		<u>19,812</u>
Total		<u><u>\$ 591,350</u></u>

For the year ended December 31, 2025, the City recognized pension expense of \$163,185 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$9,586 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$13,024 for the year ended December 31, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 264,069	\$ -
Changes in Actuarial Assumptions	433,410	716,113
Net Difference Between Projected and Actual Investment Earnings	-	255,084
Changes in Proportion	153,249	21,635
Contributions Paid to PERA Subsequent to the Measurement Date	66,809	-
Total	<u>\$ 917,537</u>	<u>\$ 992,832</u>

The \$66,809 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2026	\$ 163,078
2027	(98,397)
2028	(254,589)
2029	16,749
2030	31,055
Total	<u>\$ (142,104)</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Total Pension Expense

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (revenue) for the City's defined benefit plans are summarized below.

	General Employees Fund	Police and Fire Fund	Total
Net Pension Liability	\$ 289,863	\$ 571,538	\$ 861,401
Deferred Outflows of Resources Related to Pension	135,596	917,537	1,053,133
Deferred Inflows of Resources Related to Pension	226,639	992,832	1,219,471
Pension Expense (Revenue)	10,242	172,771	183,013

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

- Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1.00% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis				
Net Pension Liability (Asset) at Different Discount Rates				
Description	General Employees Fund		Police and Fire Fund	
1% Lower	6.00 %	\$ 704,033	6.00 %	\$ 1,497,550
Current Discount Rate	7.00	289,863	7.00	571,538
1% Higher	8.00	(46,121)	8.00	(188,865)

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 9 DEFINED CONTRIBUTION PLAN

Three council members of the City are covered by the Defined Contribution Plan, a multiemployer deferred compensation plan administered PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code (IRC) and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share.

Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental investment Fund. For administering the plan, PERA receives 2% of employer contributions and 0.25% of the assets in each member’s account annually.

Total contributions made by the City during fiscal year 2025 were:

	Employee	Employer
Contribution Amount	\$ 360	\$ 360
Percentage of Covered Payroll	5.00 %	5.00 %
Required Rate	5.00 %	5.00 %

NOTE 10 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 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 pool can make additional assessments to make the pool self-sustaining.

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 11 TAX ABATEMENT

The City has one pay-as-you-go tax increment financing district with a local business to promote economic development within the City. The City is currently collecting tax increments that are paid through the property tax collection process. The district will stop collections as of December 31, 2028. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase from the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees. For the year ended December 31, 2025, the City paid \$13,970 excess tax increment to the developer.

NOTE 12 RELATED PARTY

The Pequot Lakes Fire District (District) was created on May 9, 2022 between the City of Pequot Lakes and the City of Breezy Point. The District is governed by a joint powers agreement between the City of Pequot Lake and the City of Breezy Point pursuant to Minnesota Statutes, Section 471.59, which shall provide fire services for the parties within the fire services areas, including the two cities and surrounding cities and townships.

The City of Breezy Point issued bonds in 2024 in the amount of \$1,335,000 to be repaid by the District through fees from surrounding members. No payments were made in 2025.

In 2025, the City of Breezy Point contributed \$327,785 to Pequot Lakes Fire District for fire protection services.

Fiscal agent responsibilities for the Task Force are with the City of Pequot Lakes. Financial information can be obtained from:

City Administrator
City of Pequot Lakes
4638 Main Street
Pequot Lakes, MN 56472

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

	Measurement Date - June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PERA - General Employees Fund										
City's Proportion of the Net Pension Liability	0.0087%	0.0098%	0.0079%	0.0073%	0.0074%	0.0070%	0.0068%	0.0069%	0.0068%	0.0072%
City's Proportionate Share of the Net Pension Liability	\$ 289,863	\$ 361,246	\$ 441,760	\$ 578,162	\$ 316,013	\$ 419,682	\$ 375,957	\$ 382,784	\$ 434,108	\$ 576,485
State's Proportionate Share of the Net Pension Liability Associated with the City	6,992	9,341	12,301	17,144	9,618	13,092	11,833	12,510	5,482	7,432
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 296,855</u>	<u>\$ 370,587</u>	<u>\$ 454,061</u>	<u>\$ 595,306</u>	<u>\$ 325,631</u>	<u>\$ 432,774</u>	<u>\$ 387,790</u>	<u>\$ 395,294</u>	<u>\$ 439,590</u>	<u>\$ 583,917</u>
City's Covered Payroll	\$ 791,861	\$ 827,016	\$ 632,185	\$ 550,499	\$ 530,360	\$ 502,600	\$ 484,160	\$ 463,733	\$ 439,973	\$ 437,573
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	36.61%	43.68%	69.88%	105.03%	59.58%	83.50%	77.65%	82.54%	98.67%	131.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.78%	89.08%	83.10%	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%
PERA - Police and Fire Fund										
City's Proportion of the Net Pension Liability	0.0488%	0.0432%	0.0376%	0.0405%	0.0390%	0.0388%	0.0412%	0.0379%	0.0370%	0.0400%
City's Proportionate Share of the Net Pension Liability	\$ 571,538	\$ 567,990	\$ 649,303	\$ 1,762,400	\$ 301,039	\$ 511,426	\$ 438,616	\$ 403,975	\$ 499,544	\$ 1,605,270
State's Proportionate Share of the Net Pension Liability Associated with the City	19,812	21,652	26,145	77,047	13,516	12,044	-	-	-	-
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 591,350</u>	<u>\$ 589,642</u>	<u>\$ 675,448</u>	<u>\$ 1,839,447</u>	<u>\$ 314,555</u>	<u>\$ 523,470</u>	<u>\$ 438,616</u>	<u>\$ 403,975</u>	<u>\$ 499,544</u>	<u>\$ 1,605,270</u>
City's Covered Payroll	\$ 740,321	\$ 597,836	\$ 493,580	\$ 491,994	\$ 460,384	\$ 437,680	\$ 434,144	\$ 399,525	\$ 379,716	\$ 383,370
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	77.20%	95.01%	131.55%	358.22%	65.39%	116.85%	101.03%	101.11%	131.56%	418.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.78%	90.17%	86.47%	70.50%	93.70%	87.20%	89.26%	88.84%	85.40%	63.88%

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PERA - General Employees Fund										
Contractually Required Contribution	\$ 60,480	\$ 67,766	\$ 50,977	\$ 43,984	\$ 39,955	\$ 39,067	\$ 36,463	\$ 35,841	\$ 34,253	\$ 32,142
Contributions in Relation to the Contractually Required Contribution	(60,480)	(67,766)	(50,977)	(43,984)	(39,955)	(39,067)	(36,463)	(35,841)	(34,253)	(32,142)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 806,405	\$ 903,547	\$ 679,693	\$ 586,453	\$ 532,733	\$ 520,893	\$ 486,173	\$ 477,880	\$ 456,707	\$ 428,560
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Fund										
Contractually Required Contribution	\$ 133,679	\$ 123,599	\$ 93,044	\$ 79,976	\$ 89,012	\$ 80,194	\$ 72,859	\$ 67,540	\$ 63,510	\$ 60,209
Contributions in Relation to the Contractually Required Contribution	(133,679)	(123,599)	(93,044)	(79,976)	(89,012)	(80,194)	(72,859)	(67,540)	(63,510)	(60,209)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 755,253	\$ 698,299	\$ 525,672	\$ 451,842	\$ 502,893	\$ 453,073	\$ 429,847	\$ 416,914	\$ 392,037	\$ 371,660
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%

See accompanying Notes to Required Supplementary Information.

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
General Property Tax	\$ 3,108,816	\$ 3,108,816	\$ 3,078,746	\$ (30,070)
Licenses and Permits:				
Business	181,750	181,750	279,924	98,174
Intergovernmental:				
State Grants:				
Other	172,850	172,850	197,121	24,271
Charges for Services:				
General Government	100,100	100,100	127,053	26,953
Fines and Forfeits:				
County Court	15,100	15,100	17,972	2,872
Miscellaneous:				
Investment Earnings	30,000	30,000	63,842	33,842
Contributions and Donations	100	100	150	50
Other	25,000	25,000	30,043	5,043
Total Miscellaneous	<u>55,100</u>	<u>55,100</u>	<u>94,035</u>	<u>38,935</u>
Total Revenues	3,633,716	3,633,716	3,794,851	161,135

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government:				
Mayor and Council:				
Current	\$ 32,003	\$ 32,003	\$ 57,513	\$ (25,510)
Clerk and Treasurer:				
Current	455,096	455,096	341,063	114,033
General Government:				
Current	139,250	139,250	293,129	(153,879)
Planning and Zoning:				
Current	249,337	249,337	180,367	68,970
Total General Government	<u>875,686</u>	<u>875,686</u>	<u>872,072</u>	<u>3,614</u>
Public Safety:				
Police Protection:				
Current	1,461,776	1,461,776	1,462,977	(1,201)
Capital Outlay	-	-	93,882	(93,882)
Fire Protection:				
Current	301,000	301,000	327,785	(26,785)
Total Public Safety	<u>1,762,776</u>	<u>1,762,776</u>	<u>1,884,644</u>	<u>(121,868)</u>
Streets and Highways:				
Street Department:				
Current	769,850	619,850	498,173	121,677
Culture and Recreation:				
Culture and Recreation	109,904	109,904	63,302	46,602
Capital Outlay	500	500	3,597	(3,097)
Total Culture and Recreation	<u>110,404</u>	<u>110,404</u>	<u>66,899</u>	<u>43,505</u>
Total Expenditures	<u>3,518,716</u>	<u>3,368,716</u>	<u>3,321,788</u>	<u>46,928</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	115,000	265,000	473,063	208,063
OTHER FINANCING SOURCES (USES)				
Transfers In	155,000	155,000	5,000	(150,000)
Transfers Out	(270,000)	(270,000)	(527,000)	(257,000)
Total Other Financing Sources (Uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(522,000)</u>	<u>(407,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 150,000</u>	(48,937)	<u>\$ (198,937)</u>
Fund Balance - Beginning of Year			<u>1,856,027</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,807,090</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY FUND
YEAR ENDED DECEMBER 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes:			
General Property Taxes	\$ 20,000	\$ 20,000	\$ -
Charges for Services:			
Other	12,500	17,196	4,696
Miscellaneous:			
Investment Earnings	2,500	8,316	5,816
Other	4,000	4,098	98
Total Miscellaneous	6,500	12,414	5,914
Total Revenues	39,000	49,610	10,610
EXPENDITURES			
Cemetery:			
Current	31,325	23,500	7,825
Streets and Highways	10,000	833	9,167
Total Disbursements	41,325	24,333	16,992
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,325)	25,277	27,602
OTHER FINANCING USES			
Transfers Out	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE	\$ (7,325)	20,277	\$ 27,602
Fund Balance - Beginning of Year		201,845	
FUND BALANCE - END OF YEAR		\$ 222,122	

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EDA FUND
YEAR ENDED DECEMBER 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes:			
General Property Taxes	\$ 3,650	\$ 3,650	\$ -
Miscellaneous:			
Investment Earnings	-	174	174
Total Revenues	3,650	3,824	174
EXPENDITURES			
Economic Development:			
Current	3,650	1,675	1,975
NET CHANGE IN FUND BALANCE	\$ -	2,149	\$ 2,149
Fund Balance - Beginning of Year		2,670	
FUND BALANCE - END OF YEAR		\$ 4,819	

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 TIF FUND
 YEAR ENDED DECEMBER 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes:			
General Property Taxes	\$ 16,500	\$ 16,094	\$ (406)
EXPENDITURES			
Economic Development:			
Current	22,650	13,970	8,680
NET CHANGE IN FUND BALANCE	\$ (6,150)	2,124	\$ 8,274
Fund Balance - Beginning of Year		5,958	
FUND BALANCE - END OF YEAR		\$ 8,082	

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

A. Budgetary Information

Each fall, the City Council adopts an annual budget for the General Fund, Cemetery Fund, EDA Fund, and Whitebirch TIF Fund. Legal budgetary control is at the fund level.

The budget for the General Fund, Cemetery Fund, EDA Fund, and Whitebirch TIF Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted. All annual appropriations lapse at fiscal year-end.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the measurement period ended June 30:

General Employees Fund

2025

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2024

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2020

Changes in Actuarial Assumptions:

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2020 (Continued)

Changes in Plan Provisions:

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

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2017

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund

2025

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase)
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2024

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of one) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.40% to 7.0%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-202 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2018

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00% for vested and nonvested, deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00% to 60.00%.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued):

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

OTHER REPORT SECTION



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Breezy Point
Breezy Point, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Breezy Point, Minnesota (the City), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 14, 2026.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the Minnesota Legal Compliance Audit Guide for Cities and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
May 14, 2026



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