

CITY OF BREEZY POINT, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**CITY OF BREEZY POINT, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

INTRODUCTORY SECTION	
ELECTED AND APPOINTED OFFICIALS	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	5
STATEMENT OF ACTIVITIES	6
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	13
STATEMENT OF NET POSITION – PROPRIETARY FUND	14
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND	15
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	16
NOTES TO BASIC FINANCIAL STATEMENTS	17
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	43
SCHEDULE OF CONTRIBUTIONS	44
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	45
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CEMETERY FUND	47
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – EDA FUND	48
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – TIF FUND	49
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	50
OTHER REPORT SECTION	
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	58

INTRODUCTORY SECTION

**CITY OF BREEZY POINT, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2023**

ELECTED	NAME	TERM EXPIRES
	Mayor – Angel Zierden	12/31/2024
	Council Members:	
	Michael Moroni	12/31/2026
	Rebecca Ball	12/31/2024
	Steven Jensen	12/31/2024
	Brad Scott	12/31/2026

APPOINTED	TITLE / NAME
	City Administrator/Clerk – David Chanski
	Auditor – CliftonLarsonAllen LLP

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Breezy Point (City), Minnesota, as of and for the year ended December 31, 2023, 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 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, 2023, 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

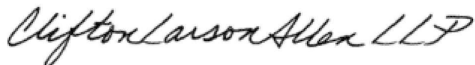
Accounting principles generally accepted in the United States of America require that the schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and the budgetary comparison schedules be presented to supplement the basic financial statements. Such 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 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 15, 2024

BASIC FINANCIAL STATEMENTS

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 7,012,620	\$ 4,190,223	\$ 11,202,843
Receivables:			
Taxes	79,528	-	79,528
Accounts	898	111,517	112,415
Special Assessments	268,786	513,529	782,315
Due from Other Governments	1,820	-	1,820
Prepays	107,641	8,506	116,147
Capital Assets:			
Land and Construction In Progress	2,011,619	146,875	2,158,494
Other Capital Assets, Net of Depreciation	5,631,105	3,447,107	9,078,212
Total Assets	15,114,017	8,417,757	23,531,774
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,101,610	48,045	1,149,655
LIABILITIES			
Current Liabilities:			
Accounts Payable	130,921	3,395	134,316
Accrued Liabilities	46,046	9,735	55,781
Unearned Revenue	59,963	4,338	64,301
Long-Term Liabilities:			
Due Within One Year	43,571	9,605	53,176
Due in More than One Year	66,668	16,822	83,490
Net Pension Liability	945,282	145,781	1,091,063
Total Liabilities	1,292,451	189,676	1,482,127
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,089,970	47,330	1,137,300
NET POSITION			
Net Investment in Capital Assets	7,642,724	3,593,982	11,236,706
Restricted for:			
Public Safety	116,709		116,709
Tax Increment Financing	1,721	-	1,721
Cemetery Operations	203,339	-	203,339
Capital Outlay	46,469	-	46,469
Debt Service	307,674	-	307,674
Unrestricted	5,514,570	4,634,814	10,149,384
Total Net Position	\$ 13,833,206	\$ 8,228,796	\$ 22,062,002

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,153,315	\$ 210,235	\$ 58,982	\$ -
Public Safety	1,440,986	80,761	-	-
Streets and Highways	915,887	3,569	-	-
Culture and Recreation	36,121	-	-	-
Economic Development	13,019	-	-	-
Cemetery	34,034	11,378	-	-
Total Governmental Activities	3,593,362	305,943	58,982	-
BUSINESS-TYPE ACTIVITIES				
Sewer	705,617	508,772	-	-
Total Business-Type Activities	705,617	508,772	-	-
Total	\$ 4,298,979	\$ 814,715	\$ 58,982	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES			
General Government	\$ (884,098)	\$ -	\$ (884,098)
Public Safety	(1,360,225)	-	(1,360,225)
Streets and Highways	(912,318)	-	(912,318)
Culture and Recreation	(36,121)	-	(36,121)
Economic Development	(13,019)	-	(13,019)
Cemetery	(22,656)	-	(22,656)
Total Governmental Activities	(3,228,437)	-	(3,228,437)
BUSINESS-TYPE ACTIVITIES			
Sewer	-	(196,845)	(196,845)
Total Business-Type Activities	-	(196,845)	(196,845)
Total	(3,228,437)	(196,845)	(3,425,282)
GENERAL REVENUES			
Taxes:			
Property Taxes, Levied for General Purp	2,995,181	-	2,995,181
Grants and Contributions not Restricted to	694	-	694
Unrestricted Investment Earnings	192,920	125,915	318,835
Miscellaneous	216,131	-	216,131
Total General Revenues	3,404,926	125,915	3,530,841
CHANGE IN NET POSITION	176,489	(70,930)	105,559
Net Position - Beginning of Year	13,656,717	8,299,726	21,956,443
NET POSITION - END OF YEAR	\$ 13,833,206	\$ 8,228,796	\$ 22,062,002

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General Fund	Cemetery Fund	EDA Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 1,711,343	\$ 202,521	\$ 2,118
Receivables:			
Taxes	79,528	-	-
Accounts	898	-	-
Special Assessments	-	-	-
Due from Other Governments	1,820	-	-
Due from Other Funds	2,005	-	-
Prepays	103,549	366	-
Total Assets	<u>1,899,143</u>	<u>202,887</u>	<u>2,118</u>
 LIABILITIES			
Accounts Payable	30,613	48	-
Due to Other Funds	-	-	-
Accrued Liabilities	46,046	-	-
Unearned Revenues	59,963	-	-
Total Liabilities	<u>136,622</u>	<u>48</u>	<u>-</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes/Special Assessments	32,349	-	-
 FUND BALANCES			
Nonspendable	103,549	366	-
Restricted	116,709	202,473	-
Committed	-	-	2,118
Unassigned	1,509,914	-	-
Total Fund Balances	<u>\$ 1,730,172</u>	<u>\$ 202,839</u>	<u>\$ 2,118</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	Debt Service Fund	Revolving Capital Fund	Whitebirch TIF Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 297,895	\$ 4,798,743	\$ -	\$ 7,012,620
Receivables:				
Taxes	-	-	-	79,528
Accounts	-	-	-	898
Special Assessments	9,113	259,673	-	268,786
Due from Other Governments	-	-	-	1,820
Due from Other Funds	-	-	-	2,005
Prepays	-	-	3,726	107,641
Total Assets	<u>307,008</u>	<u>5,058,416</u>	<u>3,726</u>	<u>7,473,298</u>
LIABILITIES				
Accounts Payable	-	100,260	-	130,921
Due to Other Funds	-	-	2,005	2,005
Accrued Liabilities	-	-	-	46,046
Unearned Revenues	-	-	-	59,963
Total Liabilities	<u>-</u>	<u>100,260</u>	<u>2,005</u>	<u>238,935</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes/Special Assessments	6,346	258,485	-	297,180
FUND BALANCES				
Nonspendable	-	-	3,726	107,641
Restricted	300,662	46,469	-	666,313
Committed	-	4,653,202	-	4,655,320
Unassigned	-	-	(2,005)	1,507,909
Total Fund Balances	<u>\$ 300,662</u>	<u>\$ 4,699,671</u>	<u>\$ 1,721</u>	<u>\$ 6,937,183</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, 2023**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance - Governmental Funds	\$	6,937,183
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	\$	2,011,619
Land Improvement, Net of Accumulated Depreciation		3,595,709
Buildings and Improvements, Net of Accumulated Depreciation		1,119,643
Vehicles, Net of Accumulated Depreciation		707,403
Equipment, Net of Accumulated Depreciation		208,350
		7,642,724
Some of the City's property taxes 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.		
		297,180
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		(945,282)
Deferred Inflows of Resources - Pension Related		(1,089,970)
Deferred Outflows of Resources - Pension Related		1,101,610
		(933,642)
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.		
Compensated Absences Payable		(110,239)
		(110,239)
Net Position of Governmental Activities as Reported on the Statement of Net Position	\$	13,833,206

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, 2023

	General Fund	Cemetery Fund	EDA Fund
REVENUES			
Property Taxes	\$ 2,936,306	\$ 9,000	\$ 3,530
Special Assessments	-	-	-
Licenses and Permits	187,068	-	-
Intergovernmental	247,203	-	-
Charges for Services	91,735	11,378	-
Fines and Forfeits	13,526	-	-
Investment Earnings (Losses)	61,807	6,302	59
Contributions and Donations	400	-	-
Other	28,509	3,079	-
Total Revenues	<u>3,566,554</u>	<u>29,759</u>	<u>3,589</u>
EXPENDITURES			
Current:			
General Government	806,267	-	-
Public Safety	1,160,579	-	-
Streets and Highways	394,011	-	-
Culture and Recreation	9,992	-	-
Economic Development	-	-	3,051
Cemetery	-	34,034	-
Capital Outlay	53,259	-	-
Total Expenditures	<u>2,424,108</u>	<u>34,034</u>	<u>3,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,142,446	(4,275)	538
OTHER FINANCING SOURCES (USES)			
Transfers In	2,000	-	-
Transfers Out	<u>(1,120,000)</u>	<u>(2,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,118,000)</u>	<u>(2,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	24,446	(6,275)	538
Fund Balance - Beginning of Year	<u>1,705,726</u>	<u>209,114</u>	<u>1,580</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,730,172</u>	<u>\$ 202,839</u>	<u>\$ 2,118</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)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	Debt Service Fund	Revolving Capital Fund	Whitebirch TIF Fund	Total Governmental Funds
REVENUES				
Property Taxes	\$ -	\$ -	\$ 8,332	\$ 2,957,168
Special Assessments	839	61,154	-	61,993
Licenses and Permits	-	-	-	187,068
Intergovernmental	-	-	-	247,203
Charges for Services	-	10,865	-	113,978
Fines and Forfeits	-	-	-	13,526
Investment Earnings (Losses)	8,937	115,815	-	192,920
Contributions and Donations	-	-	-	400
Other	-	-	-	31,588
Total Revenues	<u>9,776</u>	<u>187,834</u>	<u>8,332</u>	<u>3,805,844</u>
EXPENDITURES				
Current:				
General Government	-	312,627	-	1,118,894
Public Safety	-	4,795	-	1,165,374
Streets and Highways	-	-	-	394,011
Culture and Recreation	-	-	-	9,992
Economic Development	-	-	9,968	13,019
Cemetery	-	-	-	34,034
Capital Outlay	-	24,551	-	77,810
Total Expenditures	<u>-</u>	<u>341,973</u>	<u>9,968</u>	<u>2,813,134</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,776	(154,139)	(1,636)	992,710
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,120,000	-	1,122,000
Transfers Out	-	-	-	(1,122,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,120,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	9,776	965,861	(1,636)	992,710
Fund Balance - Beginning of Year	<u>290,886</u>	<u>3,733,810</u>	<u>3,357</u>	<u>5,944,473</u>
FUND BALANCE - END OF YEAR	<u>\$ 300,662</u>	<u>\$ 4,699,671</u>	<u>\$ 1,721</u>	<u>\$ 6,937,183</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, 2023**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balance - Total Governmental Funds		\$ 992,710
Amounts reported for governmental activities in the statement of activities is different because:		
<p>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.</p>		
Capital Outlays		51,388
Depreciation Expense		(697,381)
<p>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 measure by the amount of financial resources.</p>		
		(19,313)
<p>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.</p>		
Deferred Inflows of Resources - December 31, 2022	\$ (329,789)	
Deferred Inflows of Resources - December 31, 2023	297,180	
	(32,609)	
<p>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.</p>		
		(118,306)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities		\$ 176,489

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2023**

	Enterprise Fund Sewer
ASSETS	
Cash and Investments	\$ 4,190,223
Receivables:	
Accounts	111,517
Special Assessments	513,529
Prepays	8,506
Capital Assets:	
Land/Construction in Progress	146,875
Other Capital Assets, Net of Accumulated Depreciation	3,447,107
Total Assets	8,417,757
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	48,045
 LIABILITIES	
Current Liabilities:	
Accounts Payable	3,395
Salaries Payable	9,735
Accrued Compensated Absences	9,605
Unearned Revenue	4,338
Total Current Liabilities	27,073
Long-Term Liabilities:	
Net Pension Liability	145,781
Accrued Compensated Absences	16,822
Total Long-Term Liabilities	162,603
Total Liabilities	189,676
 DEFERRED INFLOWS OF RESOURCES	
Pension Related	47,330
 NET POSITION	
Net Investment in Capital Assets	3,593,982
Unrestricted	4,634,814
Total Net Position	\$ 8,228,796

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2023**

	Enterprise Fund Sewer
OPERATING REVENUES	
Charges for Services	\$ 454,794
OPERATING EXPENDITURES	
Personal Services	263,551
Employee Benefits	36,222
Professional Services	7,007
Utilities	27,719
Maintenance and Supplies	106,839
Depreciation	241,785
Insurance	10,309
Other Services and Charges	12,115
Total Operating Expenditures	705,547
OPERATING LOSS	(250,753)
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings (Losses)	125,915
Special Assessments	24,031
Hook Up Fees	29,925
Miscellaneous Receipts (Expenses)	(48)
Total Nonoperating Revenues (Expenses)	179,823
CHANGE IN NET POSITION	(70,930)
Net Position - Beginning of Year	8,299,726
NET POSITION - END OF YEAR	\$ 8,228,796

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 345,446
Cash Paid to Employees for Services	(278,356)
Cash Paid to Suppliers for Goods and Services	(168,390)
Net Cash Provided by Operating Activities	(101,300)

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Miscellaneous Revenues	(48)
------------------------	------

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Acquisition and Construction of Capital Assets	(48,200)
Special Assessments Received	79,199
Collection of Connection Charges	29,925
Net Cash Provided by Capital and Related Financing Activities	60,924

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Earnings (Loss)	125,915
	125,915

NET INCREASE IN CASH AND INVESTMENTS

85,491

Cash and Investments - Beginning of Year

4,104,732

CASH AND INVESTMENTS - END OF YEAR

\$ 4,190,223

**RECONCILIATION OF OPERATING LOSS TO
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (250,753)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	241,785
(Increase) Decrease in Assets:	
Accounts Receivable	(111,517)
Deferred Outflows of Resources - Pension	12,608
Prepayments	(4,860)
Increase (Decrease) in Liabilities:	
Accounts Payable	459
Accrued Liabilities	1,377
Accrued Compensated Absences	9,304
Unearned Revenue	2,169
Net Pension Liability	(45,012)
Deferred Inflows of Resources - Pension	43,140
Net Cash Provided by Operating Activities	\$ (101,300)

See accompanying Notes to Basic Financial Statements.

CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Breezy Point (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.

Joint Ventures

The City participates in one joint venture described in Note 12.

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, 2023**

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, 2023**

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.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Taxes (Continued)

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.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

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. Compensated absences are typically liquidated from the general fund.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Equity (Continued)

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.

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.

R. Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Adoption of New Accounting Standards (Continued)

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material agreements being identified.

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).

B. Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
Special Revenue Funds			
Cemetery Fund	\$ 34,034	\$ 17,625	\$ 16,409
Whitebirch TIF Fund	9,968	9,500	468

The above overages were considered necessary by the City's management to be necessary and were approved by the council.

NOTE 3 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2023 were as follows:

	General Fund	Revolving Capital Fund	Total
Transfer Out			
General Fund	\$ -	\$ 1,120,000	\$ 1,120,000
Cemetery Fund	2,000	-	2,000
Total	\$ 2,000	\$ 1,120,000	\$ 1,122,000

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.

Due to/from for the year ended December 31, 2023 were as follows:

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 INTERFUND TRANSFERS (CONTINUED)

	Due from Other Funds
	General Fund
Due to Other Funds	
Whitebirch TIF Fund	\$ 2,005

The interfund receivable/payable between the General Fund and the TIF Fund is related to the elimination of negative cash balances at year-end.

NOTE 4 COMPONENTS OF FUND BALANCES

At December 31, 2023, 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					
Public Safety	\$ -	\$ 116,709	\$ -	\$ -	\$ -
Unassigned	-	-	-	-	1,509,914
Nonspendable	103,549	-	-	-	-
Subtotal General Fund	103,549	116,709	-	-	1,509,914
Cemetery Fund					
Cemetery Operations	366	202,473	-	-	-
EDA Fund					
EDA Operations	-	-	2,118	-	-
Debt Service	-	300,662	-	-	-
Revolving Capital Fund					
Alcohol Forfeiture	-	33,916	-	-	-
Drug Forfeiture	-	12,553	-	-	-
Capital Projects	-	-	4,653,202	-	-
Whitebirch TIF Fund					
Developer Payments	3,726	-	-	-	(2,005)
Total Governmental Funds Fund Balance	\$ 107,641	\$ 666,313	\$ 4,655,320	\$ -	\$ 1,507,909

NOTE 5 DEPOSITS AND INVESTMENTS

C. 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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Deposits (Continued)

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, 2023 were entirely covered by federal depository insurance or collateral.

E. 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.
- 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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

F. Investments (Continued)

At December 31, 2023, the City had the following investments:

Investment Type	
Certificate of Deposit	\$ 2,676,370
Money Market	4,469,292
Federal Home Loan Bank	227,382
Total	\$ 7,373,044

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
Certificates of Deposit	N/R	\$ 2,676,370
Money Market	N/R	4,469,292
Federal Home Loan Bank	N/R	227,382
Total		\$ 7,373,044

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, 2023.

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.

Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Certificate of Deposit	\$ 2,676,370	\$ 1,238,359	\$ 462,099	\$ 975,912
Money Market	4,469,292	4,469,292	-	-
Federal Home Loan Bank	227,382	-	-	227,382
Total	\$ 7,373,044	\$ 5,707,651	\$ 462,099	\$ 1,203,294

The deposits and investments are presented in these financial statements:

Deposits	\$ 3,829,799
Investments	7,373,044
Total Cash and Deposits	\$ 11,202,843
Cash - Governmental Funds	\$ 7,012,620
Cash - Proprietary Funds	4,190,223
Total Cash	\$ 11,202,843

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

G. Investments (Continued)

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.

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	Total
CDs	\$ -	\$ 2,676,370	\$ 2,676,370
Federal Home Loan Bank	-	227,382	227,382
Total	\$ -	\$ 2,903,752	2,903,752
Investments Measured at Amortized Cost:			
Money Market			4,469,292
Total Investments			\$ 7,373,044

CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 2,011,619	\$ -	\$ -	\$ 2,011,619
Construction in Progress	31,433	108	(31,541)	-
Total Capital Assets, Not Being Depreciated	<u>2,043,052</u>	<u>108</u>	<u>(31,541)</u>	<u>2,011,619</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,474,526	-	-	3,474,526
Improvements Other Than Buildings	33,600	31,541	-	65,141
Machinery and Equipment	1,972,079	51,280	-	2,023,359
Infrastructure	12,844,184	-	-	12,844,184
Total Capital Assets, Being Depreciated	<u>18,324,389</u>	<u>82,821</u>	<u>-</u>	<u>18,407,210</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,235,188)	(119,695)	-	(2,354,883)
Improvements Other Than Buildings	(26,880)	(6,514)	-	(33,394)
Machinery and Equipment	(964,541)	(143,064)	-	(1,107,605)
Infrastructure	(8,852,115)	(428,108)	-	(9,280,223)
Total Accumulated Depreciation	<u>(12,078,724)</u>	<u>(697,381)</u>	<u>-</u>	<u>(12,776,105)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,245,665</u>	<u>(614,560)</u>	<u>-</u>	<u>5,631,105</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,288,717</u>	<u>\$ (614,452)</u>	<u>\$ (31,541)</u>	<u>\$ 7,642,724</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	454,494	48,200	-	502,694
Infrastructure	2,754,644	-	-	2,754,644
Total Capital Assets, Being Depreciated	<u>8,023,315</u>	<u>48,200</u>	<u>-</u>	<u>8,071,515</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,282,289)	(165,806)	-	(2,448,095)
Machinery and Equipment	(239,555)	(27,471)	-	(267,026)
Infrastructure	(1,860,779)	(48,508)	-	(1,909,287)
Total Accumulated Depreciation	<u>(4,382,623)</u>	<u>(241,785)</u>	<u>-</u>	<u>(4,624,408)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,640,692</u>	<u>(193,585)</u>	<u>-</u>	<u>3,447,107</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,787,567</u>	<u>\$ (193,585)</u>	<u>\$ -</u>	<u>\$ 3,593,982</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 28,397
Public Safety	505,412
Streets and Highways	137,334
Culture and Recreation	26,238
Total Depreciation Expense - Governmental Activities	<u>\$ 697,381</u>
Business-Type Activities:	
Sewer	<u>\$ 241,785</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 241,785</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Breezy Point participates in the following cost-sharing multiemployer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) for the Internal Revenue Code.

1. General Employees Retirement Plan

All full time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Public Employees Police and Fire Plan

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after 5 years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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 reduced prorated increase.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$50,977. The City's contributions were equal to the required contributions as set by state statute.

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 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$93,044. The City'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, 2023, the City reported a liability of \$441,760 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$12,301.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0079% at the end of the measurement period and 0.0073% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$	441,760
State of Minnesota's Proportionate Share of the Net Pension Liability with the City		12,301
Total		454,061

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$83,259 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$55 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.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 14,508	\$ 3,043
Changes in Actuarial Assumptions	71,515	121,082
Net Collective Difference Between Projected and Actual Investment Earnings	-	16,520
Changes in Proportion	33,265	2,780
Contributions Paid to PERA Subsequent to the Measurement Date	26,305	-
Total	<u>\$ 145,593</u>	<u>\$ 143,425</u>

The \$26,305 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, 2024. 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>	<u>Pension Expense Amount</u>
2024	\$ 24,608
2025	(58,538)
2026	19,375
2027	(9,582)

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$649,303 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0376% at the end of the measurement period and 0.0405% 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, 2023. The contribution consisted of \$9 million in direct state aid that does meet 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 was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$26,145.

City's Proportionate Share of the Net Pension Liability	\$	649,303
State of Minnesota's Proportionate Share of the Net Pension Liability with the City		26,145
Total	<u>\$</u>	<u>675,448</u>

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense (revenue) of \$192,923 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized (\$1,575) as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 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 nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$3,384 for the year ended December 31, 2023 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, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 179,035	\$ -
Changes in Actuarial Assumptions	753,464	912,928
Net Collective Difference Between Projected and Actual Investment Earnings	-	31,170
Changes in Proportion	25,178	49,777
Contributions Paid to PERA Subsequent to the Measurement Date	46,385	-
Total	<u>\$ 1,004,062</u>	<u>\$ 993,875</u>

The \$46,385 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 27,715
2024	(3,042)
2025	154,555
2026	(47,119)
2027	(168,307)

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 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 <u>Employee Fund</u>	Police and <u>Fire Fund</u>	<u>Total</u>
Net Pension Liability	\$ 441,760	\$ 649,303	\$ 1,091,063
Deferred Outflows of Resources Related to Pension	145,593	1,004,062	1,149,655
Deferred Inflows of Resources Related to Pension	143,425	993,875	1,137,300
Pension Expense (Revenue)	83,314	191,348	274,662

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:

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 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 and 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 most recent four-year experience study for the General Employees Plan was completed in 2023. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

General Employees Fund (Continued)

Changes in Plan Provisions: (Continued)

- 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.

Police and Fire Fund

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 percent 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.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 at Different Discount Rates				
Description	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	\$ 781,507	6.00%	\$ 1,288,295
Current Discount Rate	7.00%	441,760	7.00%	649,303
1% Higher	8.00%	162,303	8.00%	123,966

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.

NOTE 8 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 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 353.03, 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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 DEFINED CONTRIBUTION PLAN (CONTINUED)

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 2023 were:

	Employee	Employer
Contribution Amount	\$ 323	\$ 323
Percentage of Covered Payroll	5.00 %	5.00 %
Required Rate	5.00 %	5.00 %

NOTE 9 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.

NOTE 10 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, 2023, the City paid \$9,968 excess tax increment to the developer.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 JOINT POWERS

The Pequot Lakes Fire District was created on May 9th, 2022, to provide fire services for the City of Pequot Lakes and the City of Breezy Point. Pequot Lakes Fire District is a joint powers organization governed by a joint powers board pursuant to Minnesota Statutes, Section 471.59, which shall provide fire services for the parties within the fire services areas.

In 2023, the City of Breezy Point contributed \$94,532 to Pequot Lakes Fire District.

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS**

	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Fund									
City's Proportion of the Net Pension Liability	0.0079%	0.0073%	0.0074%	0.0070%	0.0068%	0.0069%	0.0068%	0.0072%	0.0066%
City's Proportionate Share of the Net Pension Liability	\$ 441,760	\$ 578,162	\$ 316,013	\$ 419,682	\$ 375,957	\$ 382,784	\$ 434,108	\$ 576,485	\$ 342,046
State's Proportionate Share of the Net Pension Liability Associated with the City	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>\$ 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>	<u>\$ 342,046</u>
City's Covered Payroll	\$ 632,185	\$ 550,499	\$ 530,360	\$ 502,600	\$ 484,160	\$ 463,733	\$ 439,973	\$ 437,573	\$ 381,227
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	69.88%	105.03%	59.58%	83.50%	77.65%	82.54%	98.67%	131.75%	89.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%
PERA - Police and Fire Fund									
City's Proportion of the Net Pension Liability	0.0376%	0.0405%	0.0390%	0.0388%	0.0412%	0.0379%	0.0370%	0.0400%	0.0380%
City's Proportionate Share of the Net Pension Liability	\$ 649,303	\$ 1,762,400	\$ 301,039	\$ 511,426	\$ 438,616	\$ 403,975	\$ 499,544	\$ 1,605,270	\$ 431,769
State's Proportionate Share of the Net Pension Liability Associated with the City	26,145	77,047	13,516	12,044	-	-	-	-	-
Total City's Proportionate Share of the Net Pension Liability	<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>	<u>\$ 431,769</u>
City's Covered Payroll	\$ 493,580	\$ 491,994	\$ 460,384	\$ 437,680	\$ 434,144	\$ 399,525	\$ 379,716	\$ 383,370	\$ 343,581
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.55%	358.22%	65.39%	116.85%	101.03%	101.11%	131.56%	418.73%	125.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.47%	70.50%	93.70%	87.20%	89.26%	88.84%	85.40%	63.88%	86.61%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

See accompanying Notes to Required Supplementary Information.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund										
Contractually Required Contribution	\$ 50,977	\$ 43,984	\$ 39,955	\$ 39,067	\$ 36,463	\$ 35,841	\$ 34,253	\$ 32,142	\$ 30,010	\$ 30,437
Contributions in Relation to the Contractually Required Contribution	(50,977)	(43,984)	(39,955)	(39,067)	(36,463)	(35,841)	(34,253)	(32,142)	(30,010)	(30,437)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 679,693	\$ 586,453	\$ 532,733	\$ 520,893	\$ 486,173	\$ 477,880	\$ 456,707	\$ 428,560	\$ 400,133	\$ 405,827
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%	7.25%
PERA - Police and Fire Fund										
Contractually Required Contribution	\$ 93,044	\$ 79,976	\$ 89,012	\$ 80,194	\$ 72,859	\$ 67,540	\$ 63,510	\$ 60,209	\$ 58,406	\$ 52,678
Contributions in Relation to the Contractually Required Contribution	(93,044)	(79,976)	(89,012)	(80,194)	(72,859)	(67,540)	(63,510)	(60,209)	(58,406)	(52,678)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 525,672	\$ 451,842	\$ 502,893	\$ 453,073	\$ 429,847	\$ 416,914	\$ 392,037	\$ 371,660	\$ 360,531	\$ 344,301
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%

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, 2023**

	<u>Budgeted Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
TAXES			
General Property Tax	\$ 2,950,709	\$ 2,936,306	\$ (14,403)
LICENSES AND PERMITS			
Business	143,750	187,068	43,318
INTERGOVERNMENTAL			
Federal Grants	-	58,982	58,982
State Grants:			
Local Government Aid	-	116,832	116,832
PERA Rate Increase Aid	50,500	62,614	12,114
Other	4,900	8,775	3,875
Total Intergovernmental	<u>55,400</u>	<u>247,203</u>	<u>191,803</u>
CHARGES FOR SERVICES			
General Government	75,956	91,735	15,779
FINES AND FORFEITS			
County Court	7,600	13,526	5,926
MISCELLANEOUS			
Investment Earnings	12,000	61,807	49,807
Contributions and Donations	100	400	300
Other	2,600	28,509	25,909
Total Miscellaneous	<u>14,700</u>	<u>90,716</u>	<u>76,016</u>
Total Revenues	3,248,115	3,566,554	318,439

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, 2023

	Budgeted Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and Council:			
Current	\$ 51,681	\$ 44,946	\$ 6,735
Clerk/Treasurer:			
Current	339,812	349,596	(9,784)
General Government:			
Current	217,050	226,842	(9,792)
Capital Outlay	-	48	(48)
Planning and Zoning:			
Current	165,222	184,883	(19,661)
Total General Government	773,765	806,315	(32,550)
PUBLIC SAFETY			
Police Protection:			
Current	1,114,189	1,066,410	47,779
Capital Outlay	90,000	53,204	36,796
Fire Protection:			
Current	122,349	94,169	28,180
Total Public Safety	1,326,538	1,213,783	112,755
STREETS AND HIGHWAYS			
Street Department:			
Current	446,062	394,011	52,051
Capital Outlay - Equipment, Buildings, Etc.	140,000	7	139,993
Total Streets and Highways	586,062	394,018	192,044
CULTURE AND RECREATION			
Culture and Recreation	16,000	9,992	6,008
Capital Outlay	10,750	-	10,750
Total Culture and Recreation	26,750	9,992	16,758
Total Expenditures	2,713,115	2,424,108	289,007
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	535,000	1,142,446	607,446
OTHER FINANCING SOURCES (USES)			
Transfers In	2,000	2,000	-
Transfers Out	(642,000)	(1,120,000)	(478,000)
Total Other Financing Sources (Uses)	(640,000)	(1,118,000)	(478,000)
NET CHANGE IN FUND BALANCE	\$ (105,000)	24,446	\$ 129,446
Fund Balance - Beginning of Year		1,705,726	
FUND BALANCE - END OF YEAR		\$ 1,730,172	

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, 2023**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
TAXES			
General Property Taxes	\$ 9,000	\$ 9,000	\$ -
CHARGES FOR SERVICES			
Other	12,500	11,378	(1,122)
MISCELLANEOUS			
Investment Earnings	2,500	6,302	3,802
Other	3,000	3,079	79
Total Miscellaneous	5,500	9,381	3,881
Total Revenues	27,000	29,759	2,759
EXPENDITURES			
CEMETERY			
Current	17,625	34,034	(16,409)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,375	(4,275)	(13,650)
OTHER FINANCING USES			
Transfers Out	(2,000)	(2,000)	-
NET CHANGE IN FUND BALANCE	\$ 7,375	(6,275)	\$ (13,650)
Fund Balance - Beginning of Year		209,114	
FUND BALANCE - END OF YEAR		\$ 202,839	

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, 2023**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
TAXES			
General Property Taxes	\$ 3,530	\$ 3,530	\$ -
MISCELLANEOUS			
Investment Earnings	15	59	44
Total Revenues	3,545	3,589	44
EXPENDITURES			
ECONOMIC DEVELOPMENT			
Current	3,530	3,051	479
Total Expenditures	3,530	3,051	479
NET CHANGE IN FUND BALANCE	\$ 15	538	\$ 523
Fund Balance - Beginning of Year		1,580	
FUND BALANCE - END OF YEAR		\$ 2,118	

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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original and Final			
REVENUES				
TAXES				
General Property Taxes	\$ 10,415		\$ 8,332	\$ (2,083)
EXPENDITURES				
ECONOMIC DEVELOPMENT				
Current	9,500		9,968	(468)
Total Expenditures	9,500		9,968	(468)
NET CHANGE IN FUND BALANCE	\$ 915		(1,636)	\$ (2,551)
Fund Balance - Beginning of Year			3,357	
FUND BALANCE - END OF YEAR			\$ 1,721	

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded budgeted amounts in the following fund at December 31, 2023:

	Expenditures	Budget	Excess
Special Revenue Funds			
Cemetery Fund	\$ 34,034	\$ 17,625	\$ 16,409
Whitebirch TIF Fund	9,968	9,500	468

All expenditures in excess of budget were considered to be crucial to operations and were approved by the City Council.

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

General Employees Fund

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

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

General Employees Fund (Continued)

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.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

General Employees Fund (Continued)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- 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 morality 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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

General Employees Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.

2015

Changes in Actuarial Assumptions

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

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

General Employees Fund (Continued)

2015 (Continued)

Changes in Plan Provisions:

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

Police and Fire Fund

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, 2023**

**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, 2023**

**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, 2023**

**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.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

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 (City), Minnesota as of and for the year ended December 31, 2023 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 15, 2024.

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 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 15, 2024



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.