

CITY OF BREEZY POINT, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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**CITY OF BREEZY POINT, MINNESOTA
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YEAR ENDED DECEMBER 31, 2022**

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INTRODUCTORY SECTION

**CITY OF BREEZY POINT, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2022**

ELECTED	NAME	TERM EXPIRES
	Mayor – Todd Roggenkamp	12/31/2022
	Council Members:	
	Michael Moroni	12/31/2022
	Rebecca Ball	12/31/2024
	Gary Bakken	12/31/2022
	Tom Lillehei	12/31/2022
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, 2022, 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, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

Emphasis of Matter

As described in Note 13 to the financial statements, the City converted from cash basis to full accrual which required a restatement of net position and fund balance for all funds. Our opinion was not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Responsibilities of Management for the Financial Statements (Continued)

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.

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

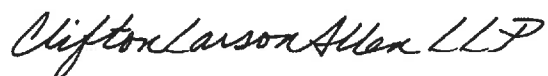
Accounting principles generally accepted in the United States of America require that the schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and the budgetary comparison schedules be presented to supplement the basic financial statements. Such 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
June 14, 2023

BASIC FINANCIAL STATEMENTS

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 6,030,979	\$ 4,104,732	\$ 10,135,711
Receivables:			
Taxes	65,715	-	65,715
Accounts	5,270	-	5,270
Special Assessments	322,467	568,697	891,164
Due from Other Governments	1,073	-	1,073
Prepays	26,626	3,646	30,272
Capital Assets:			
Land and Construction In Progress	2,043,052	146,875	2,189,927
Other Capital Assets, Net of Depreciation	6,245,665	3,640,692	9,886,357
Total Assets	<u>14,740,847</u>	<u>8,464,642</u>	<u>23,205,489</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,374,114	60,653	1,434,767
LIABILITIES			
Current Liabilities:			
Accounts Payable	25,448	2,936	28,384
Accrued Liabilities	41,999	8,358	50,357
Due to Other Governments	2,896	-	2,896
Unearned Revenue	107,525	2,169	109,694
Long-Term Liabilities:			
Due within One Year	27,924	4,198	32,122
Due in More than One Year	63,002	12,925	75,927
Net Pension Liability	2,149,769	190,793	2,340,562
Total Liabilities	<u>2,418,563</u>	<u>221,379</u>	<u>2,639,942</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	<u>39,681</u>	<u>4,190</u>	<u>43,871</u>
NET POSITION			
Net Investment in Capital Assets	8,288,717	3,787,567	12,076,284
Restricted for:			
Tax Increment Financing	3,357	-	3,357
Cemetery Operations	209,114	-	209,114
Capital Outlay	51,264	-	51,264
Debt Service	297,898	-	297,898
Unrestricted	<u>4,806,367</u>	<u>4,512,159</u>	<u>9,318,526</u>
Total Net Position	<u>\$ 13,656,717</u>	<u>\$ 8,299,726</u>	<u>\$ 21,956,443</u>

See accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 788,787	\$ 285,282	\$ 69,599	\$ -
Public Safety	1,308,801	71,679	-	-
Streets and Highways	932,462	3,415	-	-
Culture and Recreation	33,938	-	-	-
Economic Development	9,849	-	-	-
Cemetery	11,522	6,359	-	-
Debt Service	372	-	-	-
Total Governmental Activities	3,085,731	366,735	69,599	-
BUSINESS-TYPE ACTIVITIES				
Sewer	605,384	541,914	-	-
Total Business-Type Activities	605,384	541,914	-	-
Total	<u>\$ 3,691,115</u>	<u>\$ 908,649</u>	<u>\$ 69,599</u>	<u>\$ -</u>

GENERAL REVENUES

Taxes:

Property Taxes, Levied for General Purpose

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

Change in Accounting Principle

Net Position - Beginning of Year, Restated

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

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

Net Revenue (Expense) and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (433,906)	\$ -	\$ (433,906)
(1,237,122)	-	(1,237,122)
(929,047)	-	(929,047)
(33,938)	-	(33,938)
(9,849)	-	(9,849)
(5,163)	-	(5,163)
(372)	-	(372)
<u>(2,649,397)</u>	<u>-</u>	<u>(2,649,397)</u>
-	(63,470)	(63,470)
-	(63,470)	(63,470)
(2,649,397)	(63,470)	(2,712,867)
2,768,334	-	2,768,334
5,749	-	5,749
(90,946)	(88,827)	(179,773)
204,480	-	204,480
<u>2,887,617</u>	<u>(88,827)</u>	<u>2,798,790</u>
238,220	(152,297)	85,923
-	4,011,430	4,011,430
<u>13,418,497</u>	<u>4,440,593</u>	<u>17,859,090</u>
<u>13,418,497</u>	<u>8,452,023</u>	<u>21,870,520</u>
<u>\$ 13,656,717</u>	<u>\$ 8,299,726</u>	<u>\$ 21,956,443</u>

See accompanying Notes to Basic Financial Statements.

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

	General Fund	Cemetery Fund	EDA Fund
ASSETS			
Cash and Investments	\$ 1,803,409	\$ 211,775	\$ 1,580
Receivables:			
Taxes	65,715	-	-
Accounts	4,770	500	-
Special Assessments	-	-	-
Due from Other Governments	1,073	-	-
Prepays	26,555	71	-
Total Assets	<u>1,901,522</u>	<u>212,346</u>	<u>1,580</u>
LIABILITIES			
Accounts Payable	22,216	3,232	-
Due to Other Governments	2,896	-	-
Accrued Liabilities	41,999	-	-
Unearned Revenues	107,525	-	-
Total Liabilities	<u>174,636</u>	<u>3,232</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	21,160	-	-
FUND BALANCES			
Nonspendable	26,555	-	-
Restricted	-	209,114	-
Committed	-	-	1,580
Unassigned	1,679,171	-	-
Total Fund Balances	<u>\$ 1,705,726</u>	<u>\$ 209,114</u>	<u>\$ 1,580</u>

See accompanying Notes to Basic Financial Statements.

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

Debt Service Fund	Revolving Capital Fund	Whitebirch TIF Fund	Total Governmental Funds
\$ 288,788	\$ 3,722,070	\$ 3,357	\$ 6,030,979
-	-	-	65,715
-	-	-	5,270
9,110	313,357	-	322,467
-	-	-	1,073
-	-	-	26,626
<u>297,898</u>	<u>4,035,427</u>	<u>3,357</u>	<u>6,452,130</u>
-	-	-	25,448
-	-	-	2,896
-	-	-	41,999
-	-	-	107,525
<u>-</u>	<u>-</u>	<u>-</u>	<u>177,868</u>
7,012	301,617	-	329,789
-	-	-	26,555
290,886	51,264	3,357	554,621
-	3,682,546	-	3,684,126
-	-	-	1,679,171
<u>\$ 290,886</u>	<u>\$ 3,733,810</u>	<u>\$ 3,357</u>	<u>\$ 5,944,473</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, 2022**

Total Fund Balance for Governmental Funds	\$	5,944,473
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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	
Construction in Progress		31,433	
Land Improvement, Net of Accumulated Depreciation		3,998,789	
Buildings and Improvements, Net of Accumulated Depreciation		1,239,338	
Vehicles, Net of Accumulated Depreciation		760,379	
Equipment, Net of Accumulated Depreciation		<u>247,159</u>	8,288,717

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.		329,789
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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	(2,149,769)	
Deferred Inflows of Resources - Pension Related	(39,681)	
Deferred Outflows of Resources - Pension Related	<u>1,374,114</u>	(815,336)

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		<u>(90,926)</u>
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Total Net Position of Governmental Activities	\$	<u><u>13,656,717</u></u>
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CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General Fund	Cemetery Fund	EDA Fund
REVENUES			
Property Taxes	\$ 2,510,578	\$ 9,000	\$ 3,425
Special Assessments	-	-	-
Licenses and Permits	220,277	-	-
Intergovernmental	141,726	-	-
Charges for Services	90,760	6,359	-
Fines and Forfeits	11,609	-	-
Investment Earnings (Losses)	(16,763)	(3,548)	(27)
Contributions and Donations	350	-	-
Other	106,579	14,258	-
Total Revenues	<u>3,065,116</u>	<u>26,069</u>	<u>3,398</u>
EXPENDITURES			
Current:			
General Government	712,282	-	-
Public Safety	1,177,601	-	-
Streets and Highways	397,473	-	-
Culture and Recreation	9,244	-	-
Economic Development	-	-	3,625
Cemetery	-	11,522	-
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Capital Outlay	109,711	-	-
Total Expenditures	<u>2,406,311</u>	<u>11,522</u>	<u>3,625</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	658,805	14,547	(227)
OTHER FINANCING SOURCES (USES)			
Transfers In	2,000	-	-
Transfers Out	(688,422)	(2,000)	-
Total Other Financing Sources (Uses)	<u>(686,422)</u>	<u>(2,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(27,617)	12,547	(227)
Cash Fund Balance - Beginning of Year, as Previously Stated	1,752,180	196,538	1,752
Change in Accounting Standards	<u>(18,837)</u>	<u>29</u>	<u>55</u>
Fund Balance - Beginning of Year, as Restated	<u>1,733,343</u>	<u>196,567</u>	<u>1,807</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,705,726</u></u>	<u><u>\$ 209,114</u></u>	<u><u>\$ 1,580</u></u>

See accompanying Notes to Basic Financial Statements.

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

Debt Service Fund	Revolving Capital Fund	Whitebirch TIF Fund	Total Governmental Funds
\$ 230,000	\$ -	\$ 10,140	\$ 2,763,143
43,585	85,887	-	129,472
-	-	-	220,277
-	-	-	141,726
-	5,740	-	102,859
-	1,970	-	13,579
728	(71,336)	-	(90,946)
-	-	-	350
-	5,624	-	126,461
<u>274,313</u>	<u>27,885</u>	<u>10,140</u>	<u>3,406,921</u>
-	-	-	712,282
-	-	-	1,177,601
-	-	-	397,473
-	-	-	9,244
-	-	6,224	9,849
-	-	-	11,522
570,000	-	-	570,000
865	-	-	865
-	39,994	-	149,705
<u>570,865</u>	<u>39,994</u>	<u>6,224</u>	<u>3,038,541</u>
(296,552)	(12,109)	3,916	368,380
272,000	416,422	-	690,422
-	-	-	(690,422)
<u>272,000</u>	<u>416,422</u>	<u>-</u>	<u>-</u>
(24,552)	404,313	3,916	368,380
309,776	3,325,195	(559)	5,584,882
5,662	4,302	-	(8,789)
<u>315,438</u>	<u>3,329,497</u>	<u>(559)</u>	<u>5,576,093</u>
<u>\$ 290,886</u>	<u>\$ 3,733,810</u>	<u>\$ 3,357</u>	<u>\$ 5,944,473</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, 2022**

Net Change in Fund Balance - Total Governmental Funds	\$	368,380
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Amounts reported for governmental activities in the statement of activities is different because:

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

Capital Outlays		144,927
Depreciation Expense		(709,753)

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

Repayment of Bond Principal	\$ 570,000	
Change in Accrued Interest Expense	<u>493</u>	570,493

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.

37,086

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

Deferred Inflows of Resources - December 31, 2021	(427,704)	
Deferred Inflows of Resources - December 31, 2022	<u>329,789</u>	(97,915)

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.

(74,998)

Change in Net Position of Governmental Activities	\$	<u><u>238,220</u></u>
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See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022**

	Enterprise Fund Sewer
ASSETS	
Cash and Investments	\$ 4,104,732
Receivables:	
Special Assessments	568,697
Prepays	3,646
Capital Assets:	
Land/Construction in Progress	146,875
Other Capital Assets, Net of Accumulated Depreciation	3,640,692
Total Assets	<u>8,464,642</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	60,653
 LIABILITIES	
Current Liabilities:	
Accounts Payable	2,936
Salaries Payable	8,358
Accrued Compensated Absences	4,198
Unearned Revenue	2,169
Total Current Liabilities	<u>17,661</u>
 Long-Term Liabilities:	
Net Pension Liability	190,793
Accrued Compensated Absences	12,925
Total Long-Term Liabilities	<u>203,718</u>
 Total Liabilities	221,379
 DEFERRED INFLOWS OF RESOURCES	
Pension Related	<u>4,190</u>
 NET POSITION	
Net Investment in Capital Assets	3,787,567
Unrestricted	4,512,159
 Total Net Position	<u><u>\$ 8,299,726</u></u>

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, 2022

	Enterprise Fund Sewer
OPERATING REVENUES	
Charges for Services	\$ 421,038
OPERATING EXPENDITURES	
Personal Services	230,934
Employee Benefits	38,102
Professional Services	2,348
Utilities	26,638
Maintenance and Supplies	43,961
Depreciation	241,454
Insurance	8,178
Other Services and Charges	13,769
Total Operating Expenditures	<u>605,384</u>
OPERATING LOSS	(184,346)
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings (Losses)	(88,827)
Special Assessments	84,226
Hook Up Fees	36,650
Total Nonoperating Revenues (Expenses)	<u>32,049</u>
CHANGE IN NET POSITION	(152,297)
Cash Net Position - Beginning of Year, as Previously Reported	4,011,430
Change in Accounting Standards	<u>4,440,593</u>
Net Position - Beginning of Year, as Restated	<u>8,452,023</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,299,726</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 420,360
Cash Paid to Employees for Services	(254,540)
Cash Paid to Suppliers for Goods and Services	(94,822)
Net Cash Provided by Operating Activities	<u>70,998</u>

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

Acquisition and Construction of Capital Assets	(43,170)
Property Taxes Received	33,760
Special Assessments Received	83,891
Collection of Connection Charges	36,650
Net Cash Provided by Capital and Related Financing Activities	<u>111,131</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Earnings (Loss)	<u>(88,827)</u>
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NET INCREASE IN CASH AND INVESTMENTS

93,302

Cash and Investments - Beginning of Year

4,011,430

CASH AND INVESTMENTS - END OF YEAR

\$ 4,104,732

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

Operating Loss	\$ (184,346)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	241,454
(Increase) Decrease in Assets:	
Deferred Outflows of Resources - Pension	18,383
Prepayments	(539)
Increase (Decrease) in Liabilities:	
Accounts Payable	611
Accrued Liabilities	940
Accrued Compensated Absences	800
Unearned Revenue	(678)
Net Pension Liability	86,509
Deferred Inflows of Resources - Pension	(92,136)
Net Cash Provided by Operating Activities	<u><u>\$ 70,998</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type 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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major governmental funds:

General Fund

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.

Whitebirtch TIF Fund

The Whitebirtch TIF Fund, a special revenue fund, is used to account for financial resources to for the Whitebirtch 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, 2022**

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

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.

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Taxes (Continued)

Within 30 days after the May settlement, the county treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City treasurer. The county treasurer must pay the balance to the city treasurer within 60 days after 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. Prepaids

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, 2022**

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:

<u>Assets</u>	<u>Years</u>
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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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. Adoption of New Accounting Standards

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

The City adopted the requirements of the guidance effective January 1, 2022, 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 leases being identified.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
EDA Fund	\$ 3,625	\$ 3,425	\$ 200

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, 2022 were as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>Revolving Capital Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 416,422	\$ 272,000	\$ 688,422
Cemetery Fund	2,000	-	-	2,000
Total	<u>\$ 2,000</u>	<u>\$ 416,422</u>	<u>\$ 272,000</u>	<u>\$ 690,422</u>

The transfer from the General Fund to the Revolving Capital Fund is to fund land acquisitions, road improvements, signs, park equipment purchases, and future equipment purchases. The transfer from the Cemetery Fund to the General Fund is to cover cemetery maintenance costs. The transfer from the General Fund to the Debt Service Fund is to help cover principal and interest payments.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 COMPONENTS OF FUND BALANCES

At December 31, 2022, 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:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
Governmental Funds				
General Fund				
Unassigned	\$ -	\$ -	\$ -	\$ 1,679,171
Subtotal General Fund	-	-	-	1,679,171
Cemetery Fund				
Cemetery Operations	209,114	-	-	-
EDA Fund				
EDA Operations	-	1,580	-	-
Debt Service	290,886	-	-	-
Revolving Capital Fund				
Alcohol Forfeiture	37,316	-	-	-
Drug Forfeiture	13,948	-	-	-
Capital Projects	-	3,682,546	-	-
Whitebirch TIF Fund				
Developer Payments	3,357	-	-	-
 Total Governmental Funds Fund Balance	 <u>\$ 554,621</u>	 <u>\$ 3,684,126</u>	 <u>\$ -</u>	 <u>\$ 1,679,171</u>

NOTE 5 DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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, 2022 were entirely covered by federal depository insurance or collateral.

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- 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, 2022**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At December 31, 2022, the City had the following investments:

<u>Investment Type</u>	
Certificate of Deposit	\$ 4,075,197
Money Market	2,517,124
Federal Home Loan Bank	218,124
Total	<u>\$ 6,810,445</u>

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

<u>Type</u>	<u>Credit Quality Rating</u>	<u>Amount</u>
Certificates of Deposit	N/R	\$ 4,075,197
Money Market	N/R	2,517,124
Federal Home Loan Bank	N/R	218,124
Total		<u>\$ 6,810,445</u>

Concentration of Credit Risk – The City follows the investment policy addressing the concentration of credit risk. Investment in any one issuer that represents 5% or more of total investments as of December 31, 2022 was 4M at 12.08% and Federated Hermes Government Reserves at 7.91%.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Certificate of Deposit	\$ 4,075,197	\$ 1,459,802	\$ 1,210,820	\$ 1,404,575
Money Market	2,517,124	2,517,124	-	-
Federal Home Loan Bank	218,124	-	-	218,124
DTC	-	-	-	-
Total	<u>\$ 6,810,445</u>	<u>\$ 3,976,926</u>	<u>\$ 1,210,820</u>	<u>\$ 1,622,699</u>

The deposits and investments are presented in these financial statements:

Deposits	\$ 3,325,266
Investments	6,810,445
Total Cash and Deposits	<u>\$ 10,135,711</u>
Cash - Governmental Funds	\$ 6,030,979
Cash - Proprietary Funds	4,104,732
Total Cash	<u>\$ 10,135,711</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

B. 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	\$ -	\$ 4,075,197	\$ 4,075,197
Federal Home Loan Bank	-	218,124	218,124
Total	<u>\$ -</u>	<u>\$ 4,293,321</u>	<u>4,293,321</u>

Investments Measured at Amortized Cost:

Money Market	2,517,124
Total Investments	<u>\$ 6,810,445</u>

CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance, as Restated	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	-	31,433
Total Capital Assets, Not Being Depreciated	2,011,619	31,433	-	2,043,052
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,474,526	-	-	3,474,526
Improvements Other Than Buildings	33,600	-	-	33,600
Machinery and Equipment	1,858,585	113,494	-	1,972,079
Infrastructure	12,844,184	-	-	12,844,184
Total Capital Assets, Being Depreciated	18,210,895	113,494	-	18,324,389
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,115,493)	(119,695)	-	(2,235,188)
Improvements Other Than Buildings	(23,520)	(3,360)	-	(26,880)
Machinery and Equipment	(819,528)	(145,013)	-	(964,541)
Infrastructure	(8,410,430)	(441,685)	-	(8,852,115)
Total Accumulated Depreciation	(11,368,971)	(709,753)	-	(12,078,724)
Total Capital Assets, Being Depreciated, Net	6,841,924	(596,259)	-	6,245,665
Governmental Activities Capital Assets, Net	<u>\$ 8,853,543</u>	<u>\$ (564,826)</u>	<u>\$ -</u>	<u>\$ 8,288,717</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 146,875	\$ -	\$ -	\$ 146,875
Total Capital Assets, Not Being Depreciated	146,875	-	-	146,875
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,814,177	-	-	4,814,177
Machinery and Equipment	411,324	43,170	-	454,494
Infrastructure	2,754,644	-	-	2,754,644
Total Capital Assets, Being Depreciated	7,980,145	43,170	-	8,023,315
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,116,483)	(165,806)	-	(2,282,289)
Machinery and Equipment	(212,415)	(27,140)	-	(239,555)
Infrastructure	(1,812,271)	(48,508)	-	(1,860,779)
Total Accumulated Depreciation	(4,141,169)	(241,454)	-	(4,382,623)
Total Capital Assets, Being Depreciated, Net	3,838,976	(198,284)	-	3,640,692
Business-Type Activities Capital Assets, Net	<u>\$ 3,985,851</u>	<u>\$ (198,284)</u>	<u>\$ -</u>	<u>\$ 3,787,567</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	\$ 28,397
Public Safety	136,233
Streets and Highways	522,040
Culture and Recreation	23,083
Total Depreciation Expense - Governmental Activities	<u>\$ 709,753</u>
Business-Type Activities:	
Sewer	\$ 241,454
Total Depreciation Expense - Business-Type Activities	<u>\$ 241,454</u>

NOTE 7 LONG-TERM DEBT

City Indebtedness

The City issues general obligation bonds to provide funds for economic development and for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds are direct obligations and pledge the full-faith and credit of the City.

All regular full and part-time employees, scheduled to work at least 20 hours per week are eligible for accruing vacation and sick leave. Full time employees are allowed to carry over up to 240 hours of vacation, and 700 hours of sick time. Part-time employees are allowed to carry over a pro-rated number of hours for vacation and sick. Sick leave shall be paid to eligible employees who retire from the City at the employee's current rate of pay for accumulated but unused sick leave balance not to exceed 240 hours. An employee who separates from the City in good standing shall be paid at the employee's current rate of pay for all vacation leave credited at the time of separation.

A summary of long-term debt transactions for the year ended December 31, 2022, is as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One year
Governmental Activities					
\$2,350,000 General Obligation Crossover Bonds of 2012	\$ 570,000	\$ -	\$ 570,000	\$ -	\$ -
Compensated Absences	128,012	102,358	139,444	90,926	27,924
Total Governmental Activities	<u>\$ 698,012</u>	<u>\$ 102,358</u>	<u>\$ 709,444</u>	<u>\$ 90,926</u>	<u>\$ 27,924</u>
Business-Type Activities					
Compensated Absences	<u>\$ 16,323</u>	<u>\$ 38,170</u>	<u>\$ 37,370</u>	<u>\$ 17,123</u>	<u>\$ 4,198</u>

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 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.

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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 five years up to 100% after ten 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 ten 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.

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 2022 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, 2022, were \$43,984. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 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, 2022, were \$79,976. 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, 2022, the City reported a liability of \$578,162 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 \$17,144.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0073% at the end of the measurement period and 0.0074% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 578,162
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	17,144
Total	<u>\$ 595,306</u>

For the year ended December 31, 2022, the City recognized pension expense of \$82,450 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,562 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2022, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 4,829	\$ 6,176
Changes in Actuarial Assumptions	130,849	2,351
Net Collective Difference Between Projected and Actual Investment Earnings	10,029	-
Changes in Proportion	15,349	4,170
Contributions Paid to PERA Subsequent to the Measurement Date	22,742	-
Total	<u>\$ 183,798</u>	<u>\$ 12,697</u>

The \$22,742 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2023	\$ 58,410
2024	57,477
2025	(19,815)
2026	52,287

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,762,400 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0405% at the end of the measurement period and 0.0390% 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, 2022. 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, 2021. 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 \$77,047.

City's Proportionate Share of the Net Pension Liability	\$ 1,762,400
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	77,047
Total	<u>\$ 1,839,447</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, 2022, the City recognized pension expense (revenue) of \$134,220 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$14,945 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, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$3,645 for the year ended December 31, 2022 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, 2022, 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	\$ 107,645	\$ -
Changes in Actuarial Assumptions	1,037,444	10,595
Net Collective Difference Between Projected and Actual Investment Earnings	23,622	
Changes in Proportion	41,553	20,579
Contributions Paid to PERA Subsequent to the Measurement Date	40,705	
Total	<u>\$ 1,250,969</u>	<u>\$ 31,174</u>

The \$40,705 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2023	\$ 233,170
2024	230,454
2025	198,069
2026	367,292
2027	150,105

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Total Pension Expense

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

	General Employee Fund	Police and Fire Fund	Total
Net Pension Liability	\$ 578,162	\$ 1,762,400	\$ 2,340,562
Deferred Outflows of Resources			
Related to Pension	183,798	1,250,969	1,434,767
Deferred Inflows of Resources			
Related to Pension	12,697	31,174	43,871
Pension Expense (Revenue)	85,012	149,165	234,177

E. Long-Term Expected Return on Investment

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

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 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 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

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

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50%. 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 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	5.50%	\$ 913,238	4.40%	\$ 2,667,166
Current Discount Rate	6.50%	578,162	5.40%	1,762,400
1% Higher	7.50%	303,349	6.40%	1,030,951

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 9 DEFINED CONTRIBUTION PLAN

Three council members of the City are covered by the Defined Contribution Plan a multiemployer deferred compensation plan administered PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code 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, 2022**

NOTE 9 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 2022 were:

	<u>Employee</u>	<u>Employer</u>
Contribution Amount	\$ 570	\$ 570
Percentage of Covered Payroll	5.00 %	5.00 %
Required Rate	5.00 %	5.00 %

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota Cities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

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

NOTE 11 TAX ABATEMENT

The City has one pay-as-you-go tax increment financing district with a local business to promote economic development within the City. The City is currently collecting tax increments that are paid through the property tax collection process. The district will stop collections as of December 31, 2028. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase from the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees. For the year ended December 31, 2022, the City paid \$6,180 excess tax increment to the developer.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 12 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 2022, the City of Breezy Point contributed \$80,661 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

NOTE 13 CHANGE IN ACCOUNTING STANDARDS

Beginning cash fund balances were restated for conversion from cash basis reporting to full accrual reporting. The restatement is as follows:

	General Fund	Cemetery Fund	EDA Fund	
Cash Fund Balance - Beginning of Year, as Previously Stated	\$ 1,752,180	\$ 196,538	\$ 1,752	
Change in Accounting Standards	(18,837)	29	55	
Fund Balance - Beginning of Year, as Restated	<u>\$ 1,733,343</u>	<u>\$ 196,567</u>	<u>\$ 1,807</u>	

	Debt Service Fund	Revolving Capital Fund	TIF Fund	Total
Cash Fund Balance - Beginning of Year, as Previously Stated	\$ 309,776	\$ 3,325,195	\$ (559)	\$ 5,584,882
Change in Accounting Standards	5,662	4,302	-	(8,789)
Fund Balance - Beginning of Year, as Restated	<u>\$ 315,438</u>	<u>\$ 3,329,497</u>	<u>\$ (559)</u>	<u>\$ 5,576,093</u>

	Sewer Fund
Cash Net Position - Beginning of Year, as Previously Stated	\$ 4,011,430
Change in Accounting Standards	4,440,593
Net Position - Beginning of Year, as Restated	<u>\$ 8,452,023</u>

	Governmental Activities
Net Position - Beginning of Year, as Previously Stated	\$ -
Change in Accounting Standards	13,418,497
Net Position - Beginning of Year, as Restated	<u>\$ 13,418,497</u>

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, 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	0.0073%	0.0074%	0.0070%	0.0068%	0.0069%	0.0068%	0.0072%	0.0066%
City's Proportionate Share of the Net Pension Liability	\$ 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	17,144	9,618	13,092	11,833	12,510	5,482	7,432	-
Total City's Proportionate Share of the Net Pension Liability	\$ 595,306	\$ 325,631	\$ 432,774	\$ 387,790	\$ 395,294	\$ 439,590	\$ 583,917	\$ 342,046
City's Covered Payroll	\$ 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	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	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	0.0405%	0.0390%	0.0388%	0.0412%	0.0379%	0.0370%	0.0400%	0.0380%
City's Proportionate Share of the Net Pension Liability	\$ 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	77,047	13,516	12,044	-	-	-	-	-
Total City's Proportionate Share of the Net Pension Liability	\$ 1,839,447	\$ 314,555	\$ 523,470	\$ 438,616	\$ 403,975	\$ 499,544	\$ 1,605,270	\$ 431,769
City's Covered Payroll	\$ 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	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	70.50%	93.70%	87.20%	89.26%	88.84%	85.40%	63.88%	86.61%

See accompanying Notes to Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund									
Contractually Required Contribution	\$ 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	(43,984)	(39,955)	(39,067)	(36,463)	(35,841)	(34,253)	(32,142)	(30,010)	(30,437)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 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%	7.25%
PERA - Police and Fire Fund									
Contractually Required Contribution	\$ 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	(79,976)	(89,012)	(80,194)	(72,859)	(67,540)	(63,510)	(60,209)	(58,406)	(52,678)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 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%	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, 2022

	<u>Budgeted</u> Original and Final	<u>Actual</u> Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
TAXES			
General Property Tax	\$ 2,511,976	\$ 2,510,578	\$ (1,398)
LICENSES AND PERMITS			
Business	84,250	220,277	136,027
INTERGOVERNMENTAL			
Federal Grants	-	50,438	50,438
State Grants:			
Local Government Aid	-	190	190
PERA Rate Increase Aid	50,500	60,099	9,599
Other	142,200	30,999	(111,201)
Total Intergovernmental	192,700	141,726	(50,974)
CHARGES FOR SERVICES			
General Government	72,240	90,760	18,520
FINES AND FORFEITS			
County Court	7,600	11,609	4,009
MISCELLANEOUS			
Investment Earnings	11,500	(16,763)	(28,263)
Contributions and Donations	100	350	250
Other	600	106,579	105,979
Total Miscellaneous	12,200	90,166	77,966
Total Revenues	2,880,966	3,065,116	184,150

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Budgeted Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and Council:			
Current	\$ 26,900	\$ 53,460	\$ (26,560)
Capital Outlay	40,000	-	40,000
Clerk/Treasurer:			
Current	325,056	299,478	25,578
General Government:			
Current	202,350	143,443	58,907
Capital Outlay	-	809	(809)
Planning and Zoning:			
Current	134,770	215,901	(81,131)
Total General Government	729,076	713,091	15,985
PUBLIC SAFETY			
Police Protection:			
Current	968,686	1,062,288	(93,602)
Capital Outlay	68,000	64,089	3,911
Fire Protection:			
Current	121,000	115,313	5,687
Total Public Safety	1,157,686	1,241,690	(84,004)
STREETS AND HIGHWAYS			
Street Department:			
Current	431,994	397,473	34,521
Capital Outlay - Equipment, Buildings, Etc.	65,910	11,768	54,142
Total Streets and Highways	497,904	409,241	88,663
CULTURE AND RECREATION			
Culture and Recreation	12,000	9,244	2,756
Capital Outlay	10,750	33,045	(22,295)
Total Culture and Recreation	22,750	42,289	(19,539)
Total Expenditures	2,407,416	2,406,311	1,105
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	473,550	658,805	185,255
OTHER FINANCING SOURCES (USES)			
Transfers In	2,000	2,000	-
Transfers Out	(417,750)	(688,422)	(270,672)
Total Other Financing Sources (Uses)	(415,750)	(686,422)	(270,672)
NET CHANGE IN FUND BALANCE	<u>\$ 57,800</u>	<u>(27,617)</u>	<u>\$ (85,417)</u>
Cash Fund Balance - Beginning of Year, as Previously Stated		1,752,180	
Change in Accounting Standards		(18,837)	
Fund Balance - Beginning of Year, as Restated		1,733,343	
FUND BALANCE - END OF YEAR		<u>\$ 1,705,726</u>	

See accompanying Notes to Required Supplementary Information
(47)

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY FUND
YEAR ENDED DECEMBER 31, 2022

	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	6,359	(6,141)
MISCELLANEOUS			
Investment Earnings	1,750	(3,548)	(5,298)
Other	3,000	14,258	11,258
Total Miscellaneous	<u>4,750</u>	<u>10,710</u>	<u>5,960</u>
Total Revenues	26,250	26,069	(181)
EXPENDITURES			
CEMETERY			
Current	<u>16,320</u>	<u>11,522</u>	<u>4,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,930	14,547	4,617
OTHER FINANCING USES			
Transfers Out	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 7,930</u>	12,547	<u>\$ 4,617</u>
Cash Fund Balance - Beginning of Year, as Previously Stated		196,538	
Change in Accounting Standards		<u>29</u>	
Fund Balance - Beginning of Year, as Restated		<u>196,567</u>	
FUND BALANCE - END OF YEAR		<u>\$ 209,114</u>	

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EDA FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual Amounts	Positive (Negative)
REVENUES			
TAXES			
General Property Taxes	\$ 3,425	\$ 3,425	\$ -
MISCELLANEOUS			
Investment Earnings	15	(27)	(42)
Total Revenues	3,440	3,398	(42)
EXPENDITURES			
ECONOMIC DEVELOPMENT			
Current	3,425	3,625	(200)
Total Expenditures	3,425	3,625	(200)
NET CHANGE IN FUND BALANCE	<u>\$ 15</u>	<u>(227)</u>	<u>\$ (242)</u>
Cash Fund Balance - Beginning of Year, as Previously Stated		1,752	
Change in Accounting Standards		55	
Fund Balance - Beginning of Year, as Restated		1,807	
FUND BALANCE - END OF YEAR		<u>\$ 1,580</u>	

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TIF FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual Amounts	Positive (Negative)
REVENUES			
TAXES			
General Property Taxes	\$ 9,919	\$ 10,140	\$ 221
EXPENDITURES			
ECONOMIC DEVELOPMENT			
Current	9,919	6,224	3,695
Total Expenditures	9,919	6,224	3,695
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	3,916	<u>\$ 3,916</u>
Cash Fund Balance - Beginning of Year, as Previously Stated		(559)	
Change in Accounting Standards		<u>-</u>	
Fund Balance - Beginning of Year, as Restated		<u>(559)</u>	
FUND BALANCE - END OF YEAR		<u><u>\$ 3,357</u></u>	

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

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, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
EDA Fund	\$ 3,625	\$ 3,425	\$ 200

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:

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.

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

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

General Employees Fund (Continued)

2020

Changes in Actuarial Assumptions

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

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.

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

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

General Employees Fund (Continued)

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

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

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

General Employees Fund (Continued)

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

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.

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

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

Police and Fire Fund

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.

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.

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

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

Police and Fire Fund (Continued)

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.

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.

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

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

Police and Fire Fund (Continued)

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%.
- 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.

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

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

Police and Fire Fund (Continued)

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 December 31, 2022 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 June 14, 2023.

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws of *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the paragraph below. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the depositories of public funds and public investments, claims and disbursements, conflicts of interest, public indebtedness, 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.

Minnesota Statutes §270C.66 states that the City must obtain an IC 134 before making final settlement with a contractor. The City did not obtain this form before final payment was made to the contractor. We recommend City management put procedures in place to ensure this form is received before final payment is made.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
June 14, 2023



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