

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 22, 2024

NEW ISSUE  
BANK QUALIFIED  
BOOK ENTRY ONLY

S&P RATING: AA

In the opinion of Kennedy & Graven, Chartered, as bond counsel to the City ("Bond Counsel"), based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the resolution approving the issuance of the Certificates, interest to be paid on the Certificates is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Certificates or arising with respect to ownership of the Certificates. The City will designate the Certificates as "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX EXEMPTION" and "OTHER FEDERAL AND STATE TAX CONSIDERATIONS" herein.

CITY OF BREEZY POINT, MINNESOTA  
\$1,450,000\* General Obligation Equipment Certificates, Series 2024A  
(the "Certificates")

<b>Dated Date</b>	Date of Delivery (anticipated to be December 19, 2024)
<b>Sale Date</b>	Monday, December 2, 2024 until 10:00 A.M., Central Time
<b>Consideration of Award</b>	Council meeting commencing at 6:30 P.M., Central Time on Monday, December 2, 2024
<b>Security</b>	The Certificates will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes.
<b>Authorization</b>	The Certificates are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 412.301, as amended. See "Authority and Security" herein.
<b>Purpose</b>	The proceeds of the Certificates will be used to (i) reimburse the costs of the purchase of a fire truck and (ii) pay costs of issuance on the Certificates. See "Authority and Security" herein.
<b>Principal and Interest Payments</b>	Principal will be paid annually on December 15, beginning December 15, 2026. Interest will be payable semiannually on June 15 and December 15, beginning December 15, 2025.
<b>Redemption Provisions</b>	The City may elect on December 15, 2034 and on any day thereafter, to redeem Certificates due on or after December 15, 2035 at a price of par plus accrued interest.  The Certificates may be issued as term bonds at the discretion of the Underwriter (as hereinafter defined) and, in such case, will be subject to mandatory sinking fund redemption.
<b>Book Entry</b>	The Certificates will be issued only as fully registered obligations, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See Appendix B for "Book Entry".
<b>Denominations</b>	The Certificates are being issued in the denomination of \$5,000 or integral multiple thereof.
<b>Registrar and Paying Agent</b>	U.S. Bank Trust Company, National Association, , located in Saint Paul, Minnesota ("Registrar" and "Paying Agent").
<b>Bidding Information</b>	Interested bidders should review the Terms of Proposal for additional instructions. See Appendix G herein.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Further information may be obtained from Baker Tilly Municipal Advisors, LLC 30 East Seventh Street, Suite 3025, Saint Paul, MN 55101 (651) 223-3000 or bids@bakertilly.com.

\*Preliminary, subject to change.

MATURITY SCHEDULE  
(Base CUSIP(1) \_\_\_\_\_)

<u>Maturity</u> <u>(December 15)</u>	<u>Principal(2)</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP(1)</u>
2026	\$ 75,000				
2027	\$ 75,000				
2028	\$ 80,000				
2029	\$ 80,000				
2030	\$ 85,000				
2031	\$ 90,000				
2032	\$ 90,000				
2033	\$ 95,000				
2034	\$100,000				
2035	\$105,000				
2036	\$105,000				
2037	\$110,000				
2038	\$115,000				
2039	\$120,000				
2040	\$125,000				

(1) CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data (including CUSIP identifiers and related descriptive data) contained herein is provided by CUSIP Global Services (“CGS”), which is operated on behalf of the ABA by FactSet Research Systems Inc. CUSIP data is the valuable intellectual property of the ABA and the inclusion of CUSIP data herein is not intended to create a database and does not serve in any way as a substitute for any CUSIP Service provided by CGS. CUSIP data herein is provided for convenience of reference only. Neither the City, the Municipal Advisor, the Underwriter nor their agents take any responsibility for the accuracy of such data now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

(2) Preliminary subject to change.

The Certificates are being offered for delivery when, as and if issued and received by the Underwriter (hereinafter defined) and subject to the approval of legality by Kennedy & Graven, Chartered, Minneapolis, Minnesota, as Bond Counsel. The Certificates are expected to be available for delivery to DTC, in New York, New York on or about December 19, 2024.

In connection with this offering the underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Certificates offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Certificates, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. The information and expressions of opinion in the Preliminary Official Statement and the Final Official Statement are subject to change, and neither the delivery of the Preliminary Official Statement nor the Final Official Statement nor any sale made under either such document shall create any implication that there has been no change in the affairs of the City since the respective date thereof. However, upon delivery of the securities, the City will provide a certificate stating there have been no material changes in the information contained in the Final Official Statement since its delivery.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Certificates are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Certificates, the issuer and the merits and risks of the investment opportunity.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The City does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

## **CITY CONTACT INFORMATION**

Additional information regarding the City may be obtained by contacting Janette Rust, Finance Specialist, City of Breezy Point, Minnesota, 8319 Co. Rd. 11, Breezy Point, MN 56472, phone (218) 562-4441, email: [finance@cityofbreezypointmn.us](mailto:finance@cityofbreezypointmn.us).

**CITY OF BREEZY POINT, MINNESOTA**

**CITY COUNCIL**

Angel Zierden	Mayor
Steve Jensen	Councilmember
Michael Moroni	Councilmember
Rebecca Ball	Councilmember]
Brad Scott	Councilmember

**INTERIM CITY ADMINISTRATOR-CLERK**

Jerry Bohnsack

**DEPUTY CITY CLERK**

Deb Runksmeier

**FINANCE SPECIALIST**

Janette Rust

**MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Saint Paul, Minnesota

**BOND COUNSEL**

Kennedy & Graven, Chartered  
Minneapolis, Minnesota

**REGISTRAR AND PAYING AGENT**

U.S. Bank Trust Company, National Association  
Saint Paul, Minnesota

**UNDERWRITER**

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**OFFICIAL STATEMENT**

**CITY OF BREEZY POINT, MINNESOTA  
\$1,450,000\* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024A**

**PURPOSE OF THE ISSUE AND USE OF FUNDS**

**PURPOSE OF THE CERTIFICATES**

The proceeds of the Certificates will be used to (i) reimburse the costs of the purchase of a fire truck and (ii) pay costs of issuance on the Certificates.

**SOURCES AND USES OF FUNDS**

The composition of the Certificates is as follows:

Sources of Funds:	
Principal Amount	\$ _____
[Net] Reoffering [Premium][Discount]	_____
Total Sources of Funds	\$ _____
Uses of Funds:	
Deposit to Project Construction Fund	\$ _____
Deposit to Debt Service Fund	_____
Costs of Issuance(1)	_____
Underwriter's Compensation	_____
Total Uses of Funds	\$ _____

(1) Includes fees for bond counsel, municipal advisor, registrar, rating, and other miscellaneous expenses.

**INVESTMENT OF FUNDS**

The proceeds of this issue are to be invested in accordance with the laws of the State of Minnesota (the "State") relating to the depositing, holding, securing, or investing of public funds. The City shall direct the investment of proceeds of the Certificates.

**DESCRIPTION OF THE CERTIFICATES**

**INTEREST CALCULATION**

Interest on the Certificates is payable on June 15 and December 15 of each year, commencing December 15, 2025. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the first day of the calendar month of such interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

**REGISTRATION AND EXCHANGE FEATURES**

Each registered Certificate shall be transferable or exchangeable only on such record at the designated corporate trust office of the "Registrar" and "Paying Agent," U.S. Bank Trust Company, National Association, Saint Paul, Minnesota, at the written request of the registered owner thereof or the owner's attorney duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or the owner's duly authorized attorney.

\*Preliminary; subject to change.

**BOOK ENTRY**

When issued, the Certificates will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Certificates will be made in book entry only form. See Appendix B: Book Entry.

**PROVISIONS FOR PAYMENT**

The principal on the Certificates shall be payable at the designated corporate trust office of the Registrar and Paying Agent, or by wire transfer to DTC or any successor depository. All payments of interest on the Certificates shall be paid to the registered owners as the names appear as of the Record Date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Registrar or by wire transfer to DTC or any successor depository. If payment of principal or interest is made to DTC or any successor depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). Payments on the Certificates shall be made in lawful money of the United States of America which, on the date of such payment, shall be legal tender.

So long as DTC or its nominee is the registered owner of the Certificates, principal and interest on the Certificates will be paid directly to DTC by the Paying Agent. (The final disbursement of such payments to the Beneficial Owners of the Certificates will be the responsibility of the DTC Participants and Indirect Participants.)

**NOTICE OF REDEMPTION**

Thirty days’ written notice of redemption shall be given to the registered owner(s) of the Certificates. Failure to give such written notice to any registered owner of the Certificates or any defect therein shall not affect the validity of any proceedings for the redemption of the Certificates. All Certificates or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

**OPTIONAL REDEMPTION**

The City may elect on December 15, 2034 and on any day thereafter, to redeem Certificates due on or after December 15, 2035. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Certificates of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

The Certificates will not be subject to redemption in advance of their respective stated maturity dates.

**MANDATORY REDEMPTION**

The Certificates maturing on \_\_\_\_\_ [and \_\_\_\_\_] (the “Term Bonds”) are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amounts as follows:

<u>Year</u>	<u>[ ] Term Bonds</u> <u>Amount</u>
[first year]	\$ _____
[second/last year]*	\$ _____

<u>Year</u>	<u>[ ] Term Bonds</u> <u>Amount</u>
[first year]	\$ _____
[second/last year]*	\$ _____



	[ <u>    </u> ] Term Bonds
<u>Year</u>	<u>Amount</u>
[first year]	\$ <u>        </u>
[second/last year]*	\$ <u>        </u>

\* *Final Maturity.*

The principal amount of the Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the City shall determine.

## **AUTHORITY AND SECURITY**

### **AUTHORITY**

The Certificates are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 412.301, as amended. The proceeds of the Certificates will be used to finance the acquisition of a ladder fire truck.

The City, along with the City of Pequot Lakes (together, the “Cities”, and each a City under the JPA hereinafter defined) and the Pequot Lakes Fire District (the “Fire District”), has entered into a Joint Powers Agreement, dated January 8, 2024 (the “JPA”), to cooperate in the joint financing for the purchase of a ladder truck pursuant to the Fire District’s Capital Improvement Plan. Under the JPA and a Joint Powers Agreement to Provide Fire Protection and Rescue Services, dated May 1, 2022 (together with the JPA, the “Agreement”), between the Cities each City is responsible for one half of the cost of the ladder truck, including any financing costs, for which payments shall be made to the Fire District as part of each City’s annual contribution to the Fire District. The Agreement authorizes the City of Breezy Point to provide initial financing to purchase the ladder truck and issue general obligation bonds in an amount equal to the price of the truck plus any related fees, sales taxes and bonding costs.

### **SECURITY AND SOURCES OF PAYMENT**

The Certificates will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, pursuant to the Agreement, the Cities will each provide for their proportionate share of the debt service on the Certificates and will remit their respective debt service payments to the Fire District, which will then remit to the City for repayment of the Certificates. The City will use available funds on hand to make the interest payment due on December 15, 2025. Thereafter, each year’s collection of taxes, if collected in full, will be sufficient to pay 105% of the principal and interest payment due December 15 of the collection year and the interest payment due the following June 15 payment.

Pursuant to the Agreement, each City is responsible for one half of the cost of financing the ladder truck and respective shares of debt service of the Certificates.

Minnesota Statutes, Section 412.301, as amended, specifies that the City may issue certificates of indebtedness to purchase capital equipment without referendum and without being subject to a petition for a referendum if the total amount of the issue does not exceed ¼ of 1% of the estimated market value of the Issuer. Based on the City’s 2023/24 estimated market value of \$871,215,000, this represents a maximum issue size of approximately \$2,178,037. The principal amount of the Certificates in the amount of \$1,450,000 is within that limitation and is therefore not subject to petition.

## **RATINGS**

S&P Global Ratings (“S&P”), 55 Water Street, New York, New York has assigned ratings of “AA” to the Certificates. Such ratings reflect only the view of S&P and any explanation of the significance of such ratings may only be obtained from S&P.

The ratings are not a recommendation to buy, sell or hold the Certificates, and such ratings may be subject to revision or withdrawal at any time by S&P. Any revision or withdrawal of the ratings may have an adverse effect upon the market price of the Certificates.

The City has not applied to any other rating service for a rating on the Certificates.

## **RISK FACTORS AND INVESTOR CONSIDERATIONS**

Prospective purchasers of the Certificates should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the City to meet the debt service requirements of the Certificates is subject to various risks and uncertainties which are discussed throughout this Official Statement. Certain investment considerations are set forth below.

### **MAINTENANCE OF RATINGS**

The Certificates have been rated as to their creditworthiness by S&P. While the City does not anticipate any material changes in the future, no assurance can be given that the Certificates will maintain their original ratings. If the ratings on the Certificates decrease or are withdrawn, the Certificates may lack liquidity in the secondary market in comparison with other such municipal obligations. See “Ratings” herein.

### **SECONDARY MARKET**

While the purchaser of the Certificates may expect, insofar as possible, to maintain a secondary market in the Certificates, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the purchasers or others, and prospective purchasers of the Certificates should therefore be prepared, if necessary, to hold their Certificates to maturity or prior redemption, if any.

### **FUTURE CHANGES IN LAW**

Future legislative proposals, if enacted into law, clarification of the Code (defined herein) or court decisions may cause interest on the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

Legislation affecting municipal bonds is considered from time to time by the United States Congress and the Executive Branch. Bond Counsel’s opinion is based upon the law in existence on the date of issuance of the Certificates. It is possible that legislation enacted after the date of issuance of the Certificates or proposed for consideration will have an adverse effect on the excludability of all or a part of the interest on the Certificates from gross income, the manner in which such interest is subject to federal income taxation or the market price of the Certificates.

Legislation affecting municipal bonds is considered from time to time by the Minnesota legislature and Executive Branch. It is possible that legislation enacted after the date of the Certificates or proposed for consideration will have an adverse effect on payment or timing of payment or other matters impacting the Certificates.

The City cannot predict the outcome of any such federal or state proposals as to passage, ultimate content or impact if passed, or timing of consideration or passage. Purchasers of the Certificates should reach their own conclusions regarding the impact of any such federal or state proposals.

There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions which would have a material effect, directly or indirectly, on the affairs of the City.

#### **LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF THE CERTIFICATES**

No Acceleration. There is no provision for acceleration of maturity of the principal of the Certificates in the event of a default in the payment of principal of or interest on the Certificates. Consequently, the owners of the Certificates may have to enforce available remedies.

No Trustee. There is no bond trustee or similar person or entity to monitor or enforce the provisions of the Resolution (hereinafter defined) on behalf of the owners of the Certificates, and therefore the owners should be prepared to enforce such provisions themselves if the need to do so ever arises.

#### **POTENTIAL IMPACTS RESULTING FROM EPIDEMICS OR PANDEMICS**

The City's finances may be materially adversely affected by unforeseen impacts of future epidemics and pandemics. The City cannot predict future impacts of epidemics or pandemics, any similar outbreaks, or their impact on travel, on assemblies or gatherings, on the State, national or global economy, or on securities markets, or whether any such disruptions may have a material adverse impact on the financial condition or operations of the City, including but not limited to the payment of debt service on the Certificates or any of its outstanding debt obligations.

#### **CYBERSECURITY**

The City relies on computer networks, data storage, collection, and transmission to conduct the operations of the City and has implemented security measures to protect data and limit financial exposure, including securing cyber security insurance to assist with the reduction of potential risk of financial and operational damage resulting from network attacks. Even with these security measures, the City, its information technology, data stored by the City and its infrastructure may be vulnerable in the event of a deliberate system attack, including malware, ransomware, computer virus, employee error or general disruption. If breached or compromised, the networks could be disrupted and information could be accessed, disclosed, lost, or stolen. The City acknowledges that its systems could be affected by a cybersecurity attack and that a loss, disruption, or unauthorized access to data held by the City could have a material impact on the City. Further, as cybersecurity threats evolve, the City will continue to evaluate and implement security measures and work to mitigate any vulnerabilities in its system.

#### **PURCHASER/UNDERWRITING**

The Certificates are being purchased by \_\_\_\_\_ (the "Underwriter") [and its syndicate] at a purchase price of \$\_\_\_\_\_, which is the par amount of the Certificates of \$\_\_\_\_\_, less the Underwriter's discount of \$\_\_\_\_\_, plus the [net] original issue premium/discount of \$\_\_\_\_\_.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Underwriter and other dealers depositing the Certificates into investment trusts), who may reallow concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Certificates.

## **CONTINUING DISCLOSURE**

In order to permit bidders for the Certificates and other participating underwriters in the primary offering of the Certificates to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or Beneficial Owners from time to time of the outstanding Certificates, in the resolution authorizing the issuance and sale of the Certificates (the "Resolution"), to provide certain specified information, if customarily prepared and publicly available (which shall consist of the audited financial statements) and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The City is the only "obligated person" in respect of the Certificates within the meaning of the Rule, and giving effect to the issuance of the Certificates, there will not be more than \$10 million in principal amount of municipal securities outstanding on the date of issuance of the Certificates as to which the City is an obligated person. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix D to this Official Statement.

## **FUTURE FINANCING**

As of the date of the Official Statement, the City expects to issue up to approximately \$6.5 million tax exempt general obligation CIP and Improvement bonds in calendar year 2025 to finance certain capital and public improvement projects within the City as identified in the City's capital improvement plan; the City currently does not anticipate issuing additional debt in calendar year 2024.

## **LITIGATION**

To the knowledge of the officers for the City, there is no litigation pending, or threatened, against the City, which in any way questions or affects the validity of the Certificates, or any proceedings or transactions relating to the issuance, sale, or delivery thereof.

The officers for the City will certify at the time of delivery of the Certificates that there is no litigation pending or in any way threatened questioning the validity of the Certificates, or any of the proceedings relating to the authorization, issuance and sale of the Certificates that would result in a material adverse impact on the financial condition of the City.

## **LEGAL MATTERS**

The Certificates are subject to approval as to certain matters by Kennedy & Graven, Chartered of Minneapolis, Minnesota, as Bond Counsel to the City ("Bond Counsel"). Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix C herein will be delivered at closing.

## **TAX MATTERS**

### **TAX EXEMPTION**

On the date of issuance of the Certificates, Bond Counsel will render an opinion that, at the time of issuance and delivery of the Certificates to the original purchaser, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Resolution, interest on the Certificates is excludable from gross income for purposes of United States income tax and, to the same extent, is excludable from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of

the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporations" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Certificates or arising with respect to ownership of the Certificates. The opinion set forth in this paragraph is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The City has covenanted to comply with all such requirements. Noncompliance with such requirements by the City may cause the interest on the Certificates to be included in gross income for purposes of federal income taxation and taxable net income for purposes of Minnesota income taxation, retroactive to the date of issuance of the Certificates. No provision has been made for redemption of the Certificates or for an increase in the interest rate of the Certificates in the event that interest on the Certificates becomes includable in federal gross income or Minnesota taxable income.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

The City will covenant to comply with requirements necessary under the Code to establish and maintain the Certificates as tax-exempt under Section 103 thereof, including without limitation, requirements relating to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Certificates.

## Related Tax Considerations

### **PROPERTY AND CASUALTY INSURANCE COMPANIES**

Property and casualty insurance companies are required to reduce the amount of their loss reserve deduction by the applicable percentage of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations, including interest on the Certificates.

### **FOREIGN INSURANCE COMPANIES**

Foreign companies carrying on an insurance business in the United States are subject to a tax on income which is effectively connected with their conduct of any trade or business in the United States, including "net investment income." Net investment income includes tax-exempt interest such as interest on the Certificates.

### **BRANCH PROFITS TAX**

A foreign corporation is subject to a branch profits tax imposed by Section 884 of the Code. A branch's earnings and profits may include tax-exempt municipal bond interest, such as interest on the Certificates.

## **PASSIVE INVESTMENT INCOME OF S CORPORATIONS**

Passive investment income, including interest on the Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than a certain percentage of the gross receipts of such S corporation is passive investment income.

### **GENERAL**

The preceding is not a comprehensive list of all federal or State tax consequences which may arise from the receipt or accrual of interest on the Certificates. The receipt or accrual of interest on the Certificates may otherwise affect the federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. All prospective purchasers of the Certificates are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Certificates.

### **BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will designate the Certificates as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

### **ORIGINAL ISSUE PREMIUM**

All or certain maturities of the Certificates (the “Premium Certificates”) may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of such Premium Certificates over the stated redemption price at maturity constitutes original issue premium with respect to such Premium Certificates. A purchaser of a Premium Certificate must amortize any original issue the premium over the term of such Premium Certificates using constant yield principles, based on the purchaser’s yield to maturity. As original issue premium is amortized, the basis in the Premium Certificates is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Certificates prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Certificates, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Certificates.

### **ORIGINAL ISSUE DISCOUNT**

All or certain maturities of the Certificates (the “Discount Certificates”) may be sold at a discount from the principal amount payable on such Discount Certificates at maturity. The difference between the price at which a substantial amount of the Discount Certificates of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of Discount Certificates under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Certificates would be so excluded. The amount of the original issue discount that accrues with respect to Discount Certificates under section 1288 is added to the owner’s federal tax basis in determining gain or loss upon disposition of such Discount Certificates (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Certificates. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Certificates (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such

Certificates, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Certificates the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Certificate is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Certificate is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Certificate.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Certificates may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Certificates should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount Certificates.

### **MUNICIPAL ADVISOR**

The City has retained Baker Tilly Municipal Advisors, LLC (the "Municipal Advisor" or "BTMA") as municipal advisor in connection with certain aspects of the issuance of the Certificates. BTMA is a municipal advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. BTMA is a subsidiary of Baker Tilly Advisory Group, LP ("BTAG") which is indirectly owned by (a) H&F Waterloo Holdings, L.P., an affiliate of Hellman & Friedman LLC ("H&F"), an investment adviser registered with the Securities and Exchange Commission (the "SEC"), (b) Valeas Capital Partners Fund I Waterloo Aggregator LP, an affiliate of Valeas Capital Partners Management LP ("Valeas"), an investment adviser registered with the SEC, and (c) individuals who are principals of BTAG. None of these parties own a majority interest in BTAG, or indirectly, BTMA. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International, Ltd. Baker Tilly US, LLP ("BTUS") is a licensed CPA firm providing assurance services to its clients. BTAG and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

BTMA has been retained by the City to provide certain municipal advisory services to City and, in that capacity, has assisted the City in preparing this Official Statement. The information contained in the Official Statement has been compiled from the sources stated or, if not otherwise sourced, from records and other materials provided by the City. The Municipal Advisor makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Official Statement, and its assistance in preparing this Official Statement should not be construed as a representation that it has independently verified such information.

The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the City, and it has no secondary obligations or other responsibility. The Municipal Advisor's fees are expected to be paid from proceeds of the Certificates. BTMA provides certain specific municipal advisory services to the City but is neither a placement agent to the City nor a broker/dealer.

#### **Other Financial Industry Activities and Affiliations:**

Baker Tilly Wealth Management, LLC ("BTWM"), an SEC registered investment adviser, and Baker Tilly Capital, LLC ("BTC"), a broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"), are controlled subsidiaries of BTAG. Both H&F and Valeas, are registered with the SEC as investment advisers and serve as managers of, or advisers to, certain private investment funds, some of which indirectly own BTAG.

BTWM and other subsidiaries of BTAG may provide advisory services to the clients of BTMA. BTMA has no other activities or arrangements that are material to its municipal advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

### **MISCELLANEOUS**

The information contained in this Official Statement has been compiled from the City officials and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, it is believed to be correct as of this date. However, the Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Certificates, the security for the payment of the Certificates and the rights and obligations of the owners thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Certificates.

### **CERTIFICATION**

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Certificates and a Final Official Statement following award of the Certificates. The City certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the City and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.



GENERAL INFORMATION OF THE CITY

CITY PROPERTY VALUES

Trend of Values(1)

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio(2)	Economic Market Value(3)	Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2023/24	\$871,215,000	94.7%	\$921,079,847	\$ 7,427,886	\$856,778,936	\$8,993,434
2022/23	776,041,300	96.3	806,277,510	9,458,492	760,382,081	7,988,763
2021/22	572,192,800	83.6	683,314,506	14,714,886	552,268,742	5,767,503
2020/21	545,513,900	95.2	573,309,288	15,250,503	525,294,797	5,476,999
2019/20	482,670,000	92.2	552,853,370	15,870,378	489,021,258	5,094,157

(1) For a description of the Minnesota property tax system, see Appendix E.

(2) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values-reports>.

(3) Economic market values for the year of assessment as posted by the Minnesota Department of <https://www.revenue.state.mn.us/economic-market-values-reports>.

Source: Crow Wing County, Minnesota, October 2024, except as otherwise noted.

**2023/24 Adjusted Taxable Net Tax Capacity: \$8,993,434**

Real Estate:		
Residential Homestead	\$4,164,017	4.6%
Commercial/Industrial and Public Utility	415,471	38.7
Residential Non-Homestead	858,819	46.2
Agricultural, Commercial & Residential, and Seasonal/Recreational	3,485,116	9.5
Personal Property	<u>92,493</u>	<u>1.0</u>
2023/24 Net Tax Capacity	\$9,015,916	100.0%
Less: Captured Tax Increment	<u>(22,482)</u>	
2023/24 Adjusted Taxable Net Tax Capacity	\$8,993,434	
Excludes mobile home valuation of \$11,227		

**Ten of the Largest Taxpayers in the City**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2023/24 Net Tax Capacity</u>
Whitebirch Inc.	Commercial/Residential	\$199,613
Whitebirch Estates Owners Assoc	Seasonal Residential	127,773
Xcel Energy	Utility	71,428
Point Place Time Share Owners Assn	Seasonal Residential	60,784
Pelican Bay Time Share Owners Assoc	Seasonal Residential	56,082
High Village Time Share Owners Assn	Seasonal Residential	44,274
Breezy Point International Inc.	Commercial/Residential	36,614
Weaver, JoanI 2004 Rev Trust	Residential	33,021
Weaver, Arthur L Rev Trust	Residential	31,506
Eagles Next Owners Association	Seasonal Residential	<u>28,501</u>
Total		\$689,596(1)

(1) Represents 7.7% of the City's 2023/24 adjusted taxable net tax capacity.

## CITY INDEBTEDNESS

### Legal Debt Limit and Debt Margin(1)

Legal Debt Limit (3% of 2023/24 Estimated Market Value)	\$26,136,450
Less: Outstanding Debt Subject to Limit	<u>1,450,000</u>
Legal Debt Margin as of December 19, 2024	\$24,686,450

(1) The legal debt margin is referred to statutorily as the “Net Debt Limit” and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.

NOTE: Certain types of debt are not subject to the legal debt limit. See Appendix E – Debt Limitations.

### General Certificate Debt Supported Solely by Taxes(1)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 12-19-2024</u>
12-19-24	\$1,450,000	Equipment Certificates (the Certificates)	12-15-2040	\$1,450,000

(1) These issues are subject to the legal debt limit.

### Estimated Calendar Year Debt Service Payments

<u>Year</u>	<u>G.O. Supported by Taxes</u>	
	<u>Principal</u>	<u>Principal &amp; Interest(1)</u>
2024 (at 12-19)	\$ 0	\$ 0
2025	0	55,968
2026	75,000	131,597
2027	75,000	128,597
2028	80,000	130,597
2029	80,000	127,397
2030	85,000	129,197
2031	90,000	130,797
2032	90,000	127,197
2033	95,000	128,597
2034	100,000	129,797
2035	105,000	130,797
2036	105,000	127,111
2037	110,000	128,279
2038	115,000	129,132
2039	120,000	129,716
2040	<u>125,000</u>	<u>129,988</u>
Total	\$1,450,000(2)	\$1,938,796

(1) Includes estimated debt service on the Certificates.

(2) 53.1% of this debt will be retired within ten years.

## Overlapping Debt

Taxing Unit(1)	2023/24 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 12-19-24	Debt Applicable to Tax Capacity in City	
			Percent	Amount
Crow Wing County	\$ 0	\$ 0	0.0%	\$ 0
I.S.D. No. 186 (Pequot Lakes)	62,248,212	28,275,000	14.4	<u>4,357,440</u>
Total				\$4,357,440

(1) Only those units with outstanding general obligation debt are shown here.

## Debt Ratios(1)

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
2023/24 Estimated Market Value (\$871,215,000)	0.17%	0.67%
Per Capita (2,766 – 2023 U.S. Census Estimate)	\$524	\$2,100

(1) Excludes general obligation utility revenue debt, revenue debt, and other debt obligations. Includes lease obligations.

## CITY TAX RATES, LEVIES AND COLLECTIONS

### Tax Capacity Rates for a Resident in the City

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
Crow Wing County	32.507%	33.069%	31.650%	24.067%	22.295%
City of Breezy Point	46.697	45.478	47.605	36.961	35.732
I.S.D. No. 186					
Pequot Lakes(1)	12.170	11.529	10.459	7.971	7.105
Special Districts(2)	<u>0.128</u>	<u>0.125</u>	<u>0.120</u>	<u>0.544</u>	<u>0.492</u>
Total	91.502%	90.201%	89.834%	69.543%	65.624%

(1) In addition, Independent School District No. 186 (Pequot Lakes) has a 2023/24 market value tax rate of 0.06114% spread across the market value of property in support of an excess operating levy.

(2) Special districts include Region 5 and the Crow Wing County Housing and Redevelopment Authority

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix E.

### Tax Levies and Collections

Levy/Collect	Net Levy(1)	Collected During Collection Year		Collected and/or Abated as of 10-4-24	
		Amount	Percent	Amount	Percent
2022/23	\$3,213,401				(In Process of Collection)
2022/23	2,960,400	\$2,930,036	99.0%	\$2,950,036	99.6%
2021/22	2,755,386	2,732,442	99.2	2,752,085	99.9
2020/21	2,501,233	2,479,269	99.1	2,500,851	99.9
2019/20	2,388,560	2,371,249	99.3	2,389,381	100.0

(1) The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix E.

**FUNDS ON HAND**  
**As of September 30, 2024**

General Fund	\$1,173,056
Special Revenue Funds	207,226
Debt Service Funds	307,535
Capital Project Funds	3,917,258
Enterprise Funds	377,883
Revolving Capital Funds	2,847,722
Agency Funds	<u>1,493</u>
Total Cash and Investments	\$8,832,173

**INVESTMENTS**

The City follows Minnesota statutes which authorize the following types of securities available to the City for investment:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress;
2. Mutual funds through shares of registered investment companies investing only in federal obligations, tax exempt general obligations rated A or better, and repurchase agreements with certain restricted counterparties;
3. General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. Bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System;
5. Commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less; and
6. Guaranteed investment contracts (GICs) issued or 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, or the top three rating categories for long-term GIC's issued by Minnesota banks.

As of September 30, 2024 the City has investments totaling \$8,856,930.93. Approximately 22% is invested in Certificates of Deposit, and the remainder is invested in money market and savings accounts or held as cash or cash equivalents with the local bank.

**GENERAL INFORMATION CONCERNING THE CITY**

The City is located in Crow Wing County, approximately 150 miles northwest of the Minneapolis/Saint Paul metropolitan area. The City encompasses an area of approximately 17 square miles (10,880 acres).

**Population**

The City’s population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2023 U.S. Census Estimate	2,766	7.5%
2020 U.S. Census	2,574	9.7
2010 U.S. Census	2,346	139.6
2000 U.S. Census	979	126.6
1990 U.S. Census	432	--

Sources: Minnesota State Demographic Center, [mn.gov/admin/demography](http://mn.gov/admin/demography).

The City’s estimated population by age group for the past two years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2023/24	610	459	1,056	714
2022/23	586	455	990	626

Source: Claritas, LLC.

**Transportation**

Crow Wing County Highway 11 runs through the City as well as Minnesota Highways 371 and 4. Interstate 94 runs east-west approximately 82 miles south of the City. A municipal airport is located in the City of Brainerd, about 27 miles south of the City. Rail service is provided by Burlington Northern Santa Fe Railroad.

**Major Employers**

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Whitebirch Inc.	Resort	450
Pequot Lakes ISD	Education	250
Pequot Tool & Mfg.	Machine Shop	120
Citi Lites, Inc.	Utility Services	100
Lonesome Cottage Furniture Co.	Handcrafted Furniture	62
United States Postal Service	Post Office	26
Narveson Management	Property manager	24
Northern Pines Garden Centers	Retail	22
Unique Lawns	Landscaping services	20
Echo Publishing & Printing	Newspaper	17

Source: Information obtained from D&B Hoovers, <https://app.dnbhoovers.com/>. This does not purport to be a comprehensive list.

## Labor Force Data

	Annual Average				September
	2020	2021	2022	2023	2024
Labor Force:					
Crow Wing County	32,514	32,875	33,473	33,916	34,574
MicroSA	47,049	48,633	48,227	48,864	50,023
State of Minnesota	3,122,015	3,049,037	3,077,550	3,099,922	3,098,758
Unemployment Rate (%):					
Crow Wing County	7.3%	4.3%	3.1%	3.4%	2.9%
MicroSA	7.9	4.4	3.4	3.7	3.0
State of Minnesota	6.3	3.7	2.7	2.8	2.8

Source: Minnesota Department of Employment and Economic Development, <https://apps.deed.state.mn.us/lmi/laus>. 2024 data are preliminary.

## Retail Sales and Effective Buying Income (EBI)

### City of Breezy Point

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2023/24	\$14,268	\$106,075	\$72,221
2022/23	16,667	82,789	68,036

The 2023/24 Median Household EBI for the State of Minnesota was \$73,750. The 2023/24 Median Household EBI for the United States was \$67,610.

Source: Claritas, LLC.

## Permits Issued by the City

	New Single Family Residential		New Commercial/Industrial		Total Value(1) (All Permits)
	Number	Value	Number	Value	
2024 (to 9-30)	19	\$ 7,010,821	1	\$2,950,000	\$13,455,393
2023	21	11,026,621	0	0	13,878,169
2022	27	13,090,158	1	176,000	18,464,142
2021	58	19,025,774	3	1,366,740	22,627,792
2020	38	9,300,400	1	142,000	11,484,041

(1) In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).

Source: City of Breezy Point.

## Recent Development

In 2023, 21 new homes were constructed with in the City. In 2024, 27 new homes were constructed and Whitebirch Vista constructed 8 new townhomes as of October 31, 2024.

## Education

### Public Education

The following district serves the residents of the City:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2023/24(1) Enrollment</u>
I.S.D. No. 186 (Pequot Lakes)	City of Pequot Lakes	K-12	1,807

(1) 2023/24 most recent data available.

Source: Minnesota Department of Education, [www.education.state.mn.us](http://www.education.state.mn.us)

### Post-Secondary Education

Central Lakes College located in the City of Brainerd, is a community college offering 70 undergraduate programs. The University has an approximate full-time enrollment of over 5,500 students.

Four Year colleges of St. John's University, College of Saint Benedict and St. Cloud State University are located nearby in St. Cloud, Minnesota.

## GOVERNMENTAL ORGANIZATION AND SERVICES

### Organization

The City of Breezy Point started as a Village in 1939 and has been a municipal corporation since 1974. The City has a Council-Administrator form of government, with all powers of the City vested in the Council. The Mayor is elected to serve a two-year term of office, while the four Council members serve overlapping four-year terms.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Angel Zierden	Mayor	January 6, 2025
Steve Jensen	Council Member	January 6, 2025
Michael Moroni	Council Member	January 4, 2027
Rebecca Ball	Council Member	January 6, 2025
Brad Scott	Council Member	January 4, 2027

The daily administration of City operations is the responsibility of the appointed City Administrator-Clerk, Jerry Bohnsack, who has been with the City since September 23, 2024. Janette Rust, Finance Specialist, is responsible for the City's financial services. The City has 18 regular full-time and two seasonal full- and part-time employees.

### Services

The City police department is a full coverage, 24 hours a day, 7 days a week with an on-call EMT service. The fire department is in a joint powers agreement fire district with the City of Pequot Lakes.

There is one city park with a playground, walking path, ball field, and two pavilion rentals along with one fishing pier and one 18-hole disc golf course. The City has one boat access and one beach.

The City provides sewer services to 850 accounts quarterly at flat rates for residential and commercial properties.

## Labor Contracts

The status of labor contracts in Breezy Point is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
Law Enforcement Labor Services (LELS)	4	December 31, 2025
Non-unionized employees	<u>14</u>	
Total employees	<u>18</u>	

## Employee Pensions

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer retirement plans.

A detailed description of these plans, along with the City's required contributions to each plan, are represented in the City's Annual Financial Statements. See Appendix F.

## Other Postemployment Benefits

Any contingent liability for other post-employment benefits as provided for pursuant to the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75) is considered immaterial and not recognized in the City's financial statements.

## Federal Financial Assistance

As of the date of this Official Statement, the City has received \$131,849 in 2021 and \$131,849 in 2022 of Coronavirus State and Local Fiscal Recover Funds (SLFRF).

## Major General Fund Revenue Sources

<u>Revenue</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Property Taxes	\$1,823,751	\$2,190,949	\$2,317,462	\$2,510,578	\$2,936,306
Intergovernmental	65,450	245,207	284,793	141,726	247,203
Transfers In	13,122	2,000	277,000	2,000	2,000
Charges for Services	72,274	73,284	85,363	90,760	91,735
Licenses and Permits	153,758	153,402	280,267	220,277	187,068

Sources: City's Annual Financial Statements.



## General Fund Budget Summary

	<u>2023 Budget</u>	<u>2023 Actual</u>	<u>2024 Budget</u>
Revenues:			
Taxes	\$2,950,709	\$2,936,306	\$3,226,018
Licenses and Permits	143,750	187,068	141,750
Intergovernmental	55,400	247,203	176,500
Charges for Services	75,956	91,735	97,000
Fines and Forfeits	7,600	13,526	25,000
Investment Earnings	12,000	61,807	20,000
Miscellaneous	<u>2,700</u>	<u>28,909</u>	<u>2,750</u>
Total Revenues	\$3,248,155	\$3,566,554	\$3,689,018
Expenditures:			
General Government	\$773,765	\$806,315	\$1,167,976
Public Safety	1,326,538	1,213,783	1,373,032
Streets and Highways	586,062	394,018	481,833
Culture and Recreation	26,750	9,992	70,527
Miscellaneous			<u>0</u>
Total Expenditures	\$2,713,115	\$2,424,108	\$3,093,368
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$535,000	\$1,142,446	\$595,650
Other Financing Sources (Uses):			
Transfers In	\$2,000	\$2,000	\$130,000
Transfers Out	(642,000)	(1,120,000)	(642,000)
Total Other Financing Sources (Uses)	\$(640,000)	\$(1,118,000)	\$(512,000)
Net Change in Fund Balance	\$(105,000)	\$24,446	\$83,650
Beginning Fund Balance - January 1		\$1,705,729	\$1,730,172
Ending Fund Balance - December 31		\$1,730,172	\$1,813,822

Sources: City's Annual Financial Statements and 2024 Budget.

**BOOK ENTRY**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

## FORM OF BOND COUNSEL OPINION



Fifth Street Towers  
 150 South Fifth Street, Suite 700  
 Minneapolis, MN 55402  
 (612) 337-9300 telephone  
 (612) 337-9310 fax  
 kennedy-graven.com  
 Affirmative Action, Equal Opportunity Employer

\$ \_\_\_\_\_  
 City of Breezy Point, Minnesota  
 General Obligation Equipment Certificates  
 Series 2024A

We have acted as bond counsel to the City of Breezy Point, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Equipment Certificates, Series 2024A (the “Certificates”), originally dated December 19, 2024, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Certificates have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Certificates are payable from ad valorem taxes, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Certificates is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Certificates to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Certificates. We express no opinion regarding tax consequences arising with respect to the Certificates other than as expressly set forth herein.

4. The rights of the owners of the Certificates and the enforceability of the Certificates may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated December \_\_\_\_, 2024 at Minneapolis, Minnesota.

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
City of Breezy Point, Minnesota  
General Obligation Equipment Certificates  
Series 2024A

December \_\_, 2024

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Breezy Point, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Equipment Certificates, Series 2024A (the “Certificates”), in the original aggregate principal amount of \$ \_\_\_\_\_. The Certificates are being issued pursuant to Resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Certificates are being delivered to \_\_\_\_\_ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Certificates in order to assist the Participating Underwriters (as defined herein) in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Certificates that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means the Issuer’s Audited Financial Statements.

“Audited Financial Statements” means the financial statements of the Issuer, audited annually by an independent certified public accounting firm, and prepared in accordance with GAAP as prescribed by GASB or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

“Certificates” means the General Obligation Equipment Certificates, Series 2024A, issued by the Issuer in the original aggregate principal amount of \$ \_\_\_\_\_.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Certificate is registered or a beneficial owner of such a Certificate.

“Issuer” means the City of Breezy Point, Minnesota, which is the obligated person with respect to the Certificates.

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Certificates (including the Purchaser) required to comply with the Rule in connection with the offering of the Certificates.

“Purchaser” means \_\_\_\_\_.

“Repository” means EMMA.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission.

Section 3. Provision of Annual Report. To the extent such information is customarily prepared by the Issuer and is publicly available, the Issuer shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2024. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events if material with respect to the Certificates:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 5. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.



Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of the Certificates or payment in full of the Certificates.

Section 7. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolutions and this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the Resolutions and this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Certificates. The provisions of the Resolutions and this Disclosure Certificate may be amended without the consent of the Holders of the Certificates, but only upon the delivery by the Issuer to the Repository, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of the Resolutions and this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Certificates and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and Holders from time to time of the Certificates, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

**CITY OF BREEZY POINT, MINNESOTA**

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Administrator

(SEAL)

**SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND  
MINNESOTA REAL PROPERTY VALUATION**

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

**PROPERTY VALUATIONS (CHAPTER 273, MINNESOTA STATUTES)**

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

**PROPERTY TAX PAYMENTS AND DELINQUENCIES  
(CHAPTERS 275, 276, 277, 279-282 AND 549, MINNESOTA STATUTES)**

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes

due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

#### **PROPERTY TAX CREDITS (CHAPTER 273, MINNESOTA STATUTES)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

#### **DEBT LIMITATIONS**

All Minnesota municipalities (counties, cities, towns, and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Certificates issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.
2. Warrants or orders having no definite or fixed maturity.
3. Certificates payable wholly from the income from revenue producing conveniences.
4. Certificates issued to create or maintain a permanent improvement revolving fund.
5. Certificates issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.

7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Certificates to repay loans made under Minnesota Statutes, Section 216C.37.
9. Certificates to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Certificates issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Certificates issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**LEVIES FOR GENERAL CERTIFICATE DEBT  
(SECTIONS 475.61 AND 475.74, MINNESOTA STATUTES)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

**STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO  
NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS**

<u>Property Type</u>	<u>Local Tax Payable 2020-2023</u>	<u>Local Tax Payable 2024</u>
<b>Residential Homestead (1a)</b>		
Up to \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
<b>Residential Non-homestead</b>		
Single Unit (4bb)		
Up to \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
2-3 unit and undeveloped land (4b1)	1.25%	1.25%
<b>Market Rate Apartments</b>		
Regular (4a)	1.25%	1.25%
Low-Income (4d)		
Up to \$100,000 <sup>(3)</sup>	0.75%	0.75%
Over \$100,000 <sup>(3)</sup>	0.25%	0.25%
Low-Income (4d1)		0.25%
Low-Income (4d2)		0.75%
<b>Commercial/Industrial/Public Utility (3a)</b>		
Up to \$150,000	1.50% <sup>(1)</sup>	1.50% <sup>(1)</sup>
Over \$150,000	2.00% <sup>(1)</sup>	2.00% <sup>(1)</sup>
Electric Generation Machinery	2.00%	2.00%
<b>Commercial Seasonal Residential</b>		
Homestead Resorts (1c)		
Up to \$600,000	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%
Over \$2,300,000	1.25% <sup>(1)</sup>	1.25% <sup>(1)</sup>
Seasonal Resorts (4c1)		
Up to \$500,000	1.00% <sup>(1)</sup>	1.00% <sup>(1)</sup>
Over \$500,000	1.25% <sup>(1)</sup>	1.25% <sup>(1)</sup>
<b>Non-Commercial (4c12)</b>		
Up to \$500,000	1.00% <sup>(1)(2)</sup>	1.00% <sup>(1)(2)</sup>
Over \$500,000	1.25% <sup>(1)(2)</sup>	1.25% <sup>(1)(2)</sup>
<b>Disabled Homestead (1b)</b>		
Up to \$50,000	0.45%	0.45%
\$50,000 - \$500,000		1.00%
Over \$500,000		1.25%
<b>Agricultural Land &amp; Buildings</b>		
Homestead (2a)		
Up to \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
Remainder of Farm		
Up to \$3,500,000 <sup>(4)</sup>	0.50% <sup>(2)</sup>	0.50% <sup>(2)</sup>
Over \$3,500,000 <sup>(4)</sup>	1.00% <sup>(2)</sup>	0.50% <sup>(2)</sup>
Non-homestead (2b)	1.00% <sup>(2)</sup>	1.00% <sup>(2)</sup>

(1) State tax is applicable to these classifications.

(2) Exempt from referendum market value-based taxes.

(3) Historical valuations are: Payable 2023 - \$100,000; Payable 2022 - \$100,000; Payable 2021 - \$174,000; and Payable 2020 - \$150,000.

(4) Legislative increases, payable 2024. Historical valuations are: Payable 2023 - \$1,890,000; Payable 2022 - \$1,890,000; Payable 2021 - \$1,890,000; and Payable 2020 - \$1,880,000.

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

## **2023 ANNUAL FINANCIAL STATEMENTS**

The following pages include the City's Annual Comprehensive Financial Report ("ACFR December 31, 2023).

CITY OF BREEZY POINT, MINNESOTA

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023



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CITY OF BREEZY POINT, MINNESOTA  
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## INTRODUCTORY SECTION

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

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

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

## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Breezy Point (City), Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

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

***Required Supplementary Information***

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

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

***Other Information***

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

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
May 15, 2024

## BASIC FINANCIAL STATEMENTS





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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2023**

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

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

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Basic Financial Statements.



**CITY OF BREEZY POINT, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Basic Financial Statements.

**CITY OF BREEZY POINT, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balance - Total Governmental Funds		\$ 992,710
Amounts reported for governmental activities in the statement of activities is different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlays		51,388
Depreciation Expense		(697,381)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measure by the amount of financial resources.</p>		
		(19,313)
<p>Delinquent and unavailable property taxes will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.</p>		
Deferred Inflows of Resources - December 31, 2022	\$ (329,789)	
Deferred Inflows of Resources - December 31, 2023	297,180	
		(32,609)
<p>Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.</p>		
		(118,306)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities		\$ 176,489

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 345,446
Cash Paid to Employees for Services	(278,356)
Cash Paid to Suppliers for Goods and Services	(168,390)
Net Cash Provided by Operating Activities	(101,300)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Miscellaneous Revenues	(48)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(48,200)
Special Assessments Received	79,199
Collection of Connection Charges	29,925
Net Cash Provided by Capital and Related Financing Activities	60,924
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earnings (Loss)	125,915
 <b>NET INCREASE IN CASH AND INVESTMENTS</b>	
	85,491
Cash and Investments - Beginning of Year	4,104,732
 <b>CASH AND INVESTMENTS - END OF YEAR</b>	
	\$ 4,190,223
 <b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Loss	\$ (250,753)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	241,785
(Increase) Decrease in Assets:	
Accounts Receivable	(111,517)
Deferred Outflows of Resources - Pension	12,608
Prepayments	(4,860)
Increase (Decrease) in Liabilities:	
Accounts Payable	459
Accrued Liabilities	1,377
Accrued Compensated Absences	9,304
Unearned Revenue	2,169
Net Pension Liability	(45,012)
Deferred Inflows of Resources - Pension	43,140
Net Cash Provided by Operating Activities	\$ (101,300)

See accompanying Notes to Basic Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

*Component Units*

Component units are legally separate entities for which the City (Primary Government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints a voting majority, or the potential component unit's governing body is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

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

*Joint Ventures*

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

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major governmental funds:

General Fund

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

Cemetery Fund

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

EDA Fund

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

Debt Service Fund

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

Revolving Capital Fund

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

Whitebirch TIF Fund

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

The City reports the following major proprietary fund:

Sewer Fund

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

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

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



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Cash and Investments

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

E. Property Taxes

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

**Property Tax Collection Calendar**

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

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Property Taxes (Continued)

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

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

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

F. Accounts Receivable

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

G. Special Assessments

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

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

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

H. Due from Other Governments

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

I. Prepays

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

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

K. Deferred Outflows of Resources

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

L. Compensated Absences

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

M. Long-Term Obligations

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

N. Deferred Inflows of Resources

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

O. Pensions

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

P. Equity

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. Equity (Continued)

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

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

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

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

Q. Use of Estimates

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

R. Adoption of New Accounting Standards

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

R. Adoption of New Accounting Standards (Continued)

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information

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

B. Excess of Expenditures Over Budget

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

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

**NOTE 3 INTERFUND TRANSFERS**

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

	General Fund	Revolving Capital Fund	Total
Transfer Out			
General Fund	\$	\$ 1,120,000	\$ 1,120,000
Cemetery Fund	<b>2,000</b>		<b>2,000</b>
Total	<b>\$ 2,000</b>	<b>\$ 1,120,000</b>	<b>\$ 1,122,000</b>

The transfer from the General Fund to the Revolving Capital Fund is to fund land acquisitions, road improvements, signs, public works purchases, future equipment purchases, and adjust fund balance per the City's policy. The transfer from the Cemetery Fund to the General Fund is to cover cemetery maintenance costs.

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

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

**NOTE 3 INTERFUND TRANSFERS (CONTINUED)**

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

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

**NOTE 4 COMPONENTS OF FUND BALANCES**

At December 31, 2023, portions of the City's fund balances were not available for appropriation due to legal restrictions (Restricted), Council intent (Committed) policy, and/or intent (Assigned).

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

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

**NOTE 5 DEPOSITS AND INVESTMENTS**

**C. Deposits**

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

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

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

D. Deposits (Continued)

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

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

The City's deposits in the banks at December 31, 2023 were entirely covered by federal depository insurance or collateral.

E. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.



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

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

F. Investments (Continued)

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

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

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

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

Concentration of Credit Risk - The City follows the investment policy addressing the concentration of credit risk. The City did not have any investment in any one issuer that represents 5% or more of total investments as of December 31, 2023.

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

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

The deposits and investments are presented in these financial statements:

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

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

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

G. Investments (Continued)

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

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

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

- *Level 1* - Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- *Level 2* - Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- *Level 3* - Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level2	Total
CDs	\$	\$ 2,676,370	\$ 2,676,370
Federal Home Loan Bank		227,382	227,382
Total	\$	\$ 2,903,752	2,903,752
Investments Measured at Amortized Cost:			
Money Market			4,469,292
Total Investments			\$ 7,373,044

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

**NOTE6 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 2,011,619	\$	\$	\$ 2,011,619
Construction in Progress	31,433	108	(31,541)	
Total Capital Assets, Not Being Depreciated	<u>2,043,052</u>	<u>108</u>	<u>(31,541)</u>	<u>2,011,619</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,474,526			3,474,526
Improvements Other Than Buildings	33,600	31,541		65,141
Machinery and Equipment	1,972,079	51,280		2,023,359
Infrastructure	12,844,184			12,844,184
Total Capital Assets, Being Depreciated	<u>18,324,389</u>	<u>82,821</u>		<u>18,407,210</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,235,188)	(119,695)		(2,354,883)
Improvements Other Than Buildings	(26,880)	(6,514)		(33,394)
Machinery and Equipment	(964,541)	(143,064)		(1,107,605)
Infrastructure	(8,852,115)	(428,108)		(9,280,223)
Total Accumulated Depreciation	<u>(12,078,724)</u>	<u>(697,381)</u>		<u>(12,776,105)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,245,665</u>	<u>(614,560)</u>		<u>5,631,105</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,288,717</u>	<u>\$ (614,452)</u>	<u>\$ (31,541)</u>	<u>\$ 7,642,724</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 146,875	\$	\$	\$ 146,875
Total Capital Assets, Not Being Depreciated	<u>146,875</u>			<u>146,875</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,814,177			4,814,177
Machinery and Equipment	454,494	48,200		502,694
Infrastructure	2,754,644			2,754,644
Total Capital Assets, Being Depreciated	<u>8,023,315</u>	<u>48,200</u>		<u>8,071,515</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	(2,282,289)	(165,806)		(2,448,095)
Machinery and Equipment	(239,555)	(27,471)		(267,026)
Infrastructure	(1,860,779)	(48,508)		(1,909,287)
Total Accumulated Depreciation	<u>(4,382,623)</u>	<u>(241,785)</u>		<u>(4,624,408)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,640,692</u>	<u>(193,585)</u>		<u>3,447,107</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,787,567</u>	<u>\$ (193,585)</u>	<u>\$</u>	<u>\$ 3,593,982</u>

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

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS**

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

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

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

2. Public Employees Police and Fire Plan

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

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

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions

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

1. General Employees Fund Contributions

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

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$93,044. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$441,760 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$12,301.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0079% at the end of the measurement period and 0.0073% for the beginning of the period.

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

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$83,259 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$55 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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

The \$26,305 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2024	\$ 24,608
2025	(58,538)
2026	19,375
2027	(9,582)

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$649,303 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0376% at the end of the measurement period and 0.0405% for the beginning of the period.

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$26,145.

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

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



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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$3,384 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

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

The \$46,385 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

3. Total Pension Expense

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

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

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%
	<u>100.0%</u>	

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

F. Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2023. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

F. Actuarial Methods and Assumptions (Continued)

General Employees Fund (Continued)

Changes in Plan Provisions: (Continued)

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

G. Discount Rate

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

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

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

H. Pension Liability Sensitivity

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

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

I. Pension Plan Fiduciary Net Position

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

**NOTE 8 DEFINED CONTRIBUTION PLAN**

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share.

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

**NOTE 8 DEFINED CONTRIBUTION PLAN (CONTINUED)**

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

Total contributions made by the City during fiscal year 2023 were:

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

**NOTE 9 RISK MANAGEMENT**

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

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

**NOTE 10 TAX ABATEMENT**

The City has one pay-as-you-go tax increment financing district with a local business to promote economic development within the City. The City is currently collecting tax increments that are paid through the property tax collection process. The district will stop collections as of December 31, 2028. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase from the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees. For the year ended December 31, 2023, the City paid \$9,968 excess tax increment to the developer.

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

**NOTE 11 JOINT POWERS**

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

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

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

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

## REQUIRED SUPPLEMENTARY INFORMATION



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

	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>PERA - General Employees Fund</b>									
City's Proportion of the Net Pension Liability	0.0079%	0.0073%	0.0074%	0.0070%	0.0068%	0.0069%	0.0068%	0.0072%	0.0066%
City's Proportionate Share of the Net Pension Liability	\$ 441,760	\$ 578,162	\$ 316,013	\$ 419,682	\$ 375,957	\$ 382,784	\$ 434,108	\$ 576,485	\$ 342,046
State's Proportionate Share of the Net Pension Liability Associated with the City	12,301	17,144	9,618	13,092	11,833	12,510	5,482	7,432	
Total City's Proportionate Share of the Net Pension Liability	\$ 454,061	\$ 595,306	\$ 325,631	\$ 432,774	\$ 387,790	\$ 395,294	\$ 439,590	\$ 583,917	\$ 342,046
City's Covered Payroll	\$ 632,185	\$ 550,499	\$ 530,360	\$ 502,600	\$ 484,160	\$ 463,733	\$ 439,973	\$ 437,573	\$ 381,227
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	69.88%	105.03%	59.58%	83.50%	77.65%	82.54%	98.67%	131.75%	89.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%
<b>PERA - Police and Fire Fund</b>									
City's Proportion of the Net Pension Liability	0.0376%	0.0405%	0.0390%	0.0388%	0.0412%	0.0379%	0.0370%	0.0400%	0.0380%
City's Proportionate Share of the Net Pension Liability	\$ 649,303	\$ 1,762,400	\$ 301,039	\$ 511,426	\$ 438,616	\$ 403,975	\$ 499,544	\$ 1,605,270	\$ 431,769
State's Proportionate Share of the Net Pension Liability Associated with the City	26,145	77,047	13,516	12,044					
Total City's Proportionate Share of the Net Pension Liability	\$ 675,448	\$ 1,839,447	\$ 314,555	\$ 523,470	\$ 438,616	\$ 403,975	\$ 499,544	\$ 1,605,270	\$ 431,769
City's Covered Payroll	\$ 493,580	\$ 491,994	\$ 460,384	\$ 437,680	\$ 434,144	\$ 399,525	\$ 379,716	\$ 383,370	\$ 343,581
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.55%	358.22%	65.39%	116.85%	101.03%	101.11%	131.56%	418.73%	125.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.47%	70.50%	93.70%	87.20%	89.26%	88.84%	85.40%	63.88%	86.61%

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

*See accompanying Notes to Required Supplementary Information.*

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>PERA • General Employees Fund</b>										
Contractually Required Contribution	\$ 50,977	\$ 43,984	\$ 39,955	\$ 39,067	\$ 36,463	\$ 35,841	\$ 34,253	\$ 32,142	\$ 30,010	\$ 30,437
Contributions in Relation to the Contractually Required Contribution	(50,977)	(43,984)	(39,955)	(39,067)	(36,463)	(35,841)	(34,253)	(32,142)	(30,010)	(30,437)
Contribution Deficiency (Excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City's Covered Payroll	\$ 679,693	\$ 586,453	\$ 532,733	\$ 520,893	\$ 486,173	\$ 477,880	\$ 456,707	\$ 428,560	\$ 400,133	\$ 405,827
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
<b>PERA • Police and Fire Fund</b>										
Contractually Required Contribution	\$ 93,044	\$ 79,976	\$ 89,012	\$ 80,194	\$ 72,859	\$ 67,540	\$ 63,510	\$ 60,209	\$ 58,406	\$ 52,678
Contributions in Relation to the Contractually Required Contribution	(93,044)	(79,976)	(89,012)	(80,194)	(72,859)	(67,540)	(63,510)	(60,209)	(58,406)	(52,678)
Contribution Deficiency (Excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City's Covered Payroll	\$ 525,672	\$ 451,842	\$ 502,893	\$ 453,073	\$ 429,847	\$ 416,914	\$ 392,037	\$ 371,660	\$ 360,531	\$ 344,301
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%

See accompanying Notes to Required Supplementary Information.



**CITY OF BREEZY POINT, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CEMETERY FUND**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**EDA FUND**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Required Supplementary Information.

**CITY OF BREEZY POINT, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**TIF FUND**  
**YEAR ENDED DECEMBER 31, 2023**

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

See accompanying Notes to Required Supplementary Information.



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

**NOTE 1 LEGAL COMPLIANCE - BUDGETS**

**A. Budgetary Information**

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

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

**B. Excess of Expenditures Over Appropriations**

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

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

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

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

**General Employees Fund**

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

2023

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

**General Employees Fund (Continued)**

2022

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2020

Changes in Actuarial Assumptions:

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

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

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

**General Employees Fund (Continued)**

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

**General Employees Fund (Continued)**

2018 (Continued)

Changes in Plan Provisions (Continued)

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

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

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

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

**General Employees Fund (Continued)**

2015 (Continued)

Changes in Plan Provisions:

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

**Police and Fire Fund**

2023

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2022

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

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

**Police and Fire Fund (Continued)**

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

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

**Police and Fire Fund (Continued)**

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

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

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

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

**Police and Fire Fund (Continued)**

2017 (Continued)

Changes in Actuarial Assumptions (continued)

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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



## **OTHER REPORT SECTION**



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Breezy Point (City), Minnesota as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 15, 2024.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
May 15, 2024

## TERMS OF PROPOSAL

\$1,450,000\*

CITY OF BREEZY POINT, MINNESOTA

GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Certificates") will be received by the City of Breezy Point, Minnesota (the "City") on Monday, December 2, 2024 (the "Sale Date") until 10:00 A.M., Central Time (the "Sale Time") at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 30 East 7<sup>th</sup> Street, Suite 3025, Saint Paul, MN 55101, after which time proposals will be opened and tabulated. Consideration for award of the Certificates will be by the City Council at its meeting commencing at 6:30 P.M., Central Time, of the same day.

## SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Certificates regardless of the manner in which the proposal is submitted.

(a) **Sealed Bidding.** Completed, signed proposals may be submitted to Baker Tilly MA by email to [bids@bakertilly.com](mailto:bids@bakertilly.com), and must be received prior to the Sale Time.

**OR**

(b) **Electronic Bidding.** Proposals may also be received via PARITY<sup>®</sup>. For purposes of the electronic bidding process, the time as maintained by PARITY<sup>®</sup> shall constitute the official time with respect to all proposals submitted to PARITY<sup>®</sup>. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY<sup>®</sup> for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY<sup>®</sup> shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY<sup>®</sup> shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY<sup>®</sup>. The City is using the services of PARITY<sup>®</sup> solely as a communication mechanism to conduct the electronic bidding for the Certificates, and PARITY<sup>®</sup> is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY<sup>®</sup>, this Terms of Proposal shall control. Further information about PARITY<sup>®</sup>, including any fee charged, may be obtained from:

PARITY<sup>®</sup>, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018  
Customer Support: (212) 849-5000

\*Preliminary; subject to change.

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and controlled subsidiary of Baker Tilly Advisory Group, LP. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm and provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. ©2024 Baker Tilly Municipal Advisors, LLC

## DETAILS OF THE CERTIFICATES

The Certificates will be dated December 19, 2024 and will bear interest payable on June 15 and December 15 of each year, commencing December 15, 2025. at maturity on . Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Certificates will mature in the years and amounts\* as follows:

2026	\$75,000	2030	\$85,000	2034	\$100,000	2038	\$115,000
2027	\$75,000	2031	\$90,000	2035	\$105,000	2039	\$120,000
2028	\$80,000	2032	\$90,000	2036	\$105,000	2040	\$125,000
2029	\$80,000	2033	\$95,000	2037	\$110,000		

\*The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Certificates or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Certificates as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.

## BOOK ENTRY SYSTEM

The Certificates will be issued by means of a book entry system with no physical distribution of Certificates made to the public. The Certificates will be issued in fully registered form and one Certificate, representing the aggregate principal amount of the Certificates maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Certificates. Individual purchases of the Certificates may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Certificates. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Certificates, will be required to deposit the Certificates with DTC.

## REGISTRAR/PAYING AGENT

The City will name the registrar/paying agent (the "Registrar") which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the Registrar.

## OPTIONAL REDEMPTION

The City may elect on December 15, 2034, and on any day thereafter, to redeem Certificates due on or after December 15, 2035 . Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Certificates of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Certificates will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Certificates will be used to (i) reimburse the costs of the purchaser of a fire truck and (ii) pay costs of issuance on the Certificates.

## BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Certificates as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## BIDDING PARAMETERS

Proposals shall be for not less than \$1,450,000 (Par) plus accrued interest, if any, on the total principal amount of the Certificates. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater.

Proposals for the Certificates may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth herein. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made. Certificates of the same maturity shall bear a single rate from the date of the Certificates to the date of maturity. No conditional proposals will be accepted.

## ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Certificates and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Certificates (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) to the extent the hold-the-offering-price rule applies, pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Certificates pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Certificates; and
- (iv) the City anticipates awarding the sale of the Certificates to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Certificates, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Certificates, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Certificates.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Certificates to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Certificates, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Certificates (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City

will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Certificates or until all of the Certificates of a maturity have been sold.

#### GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the City in the amount of \$14,500 (the "Deposit") no later than 1:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

#### AWARD

The Certificates will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Certificates, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

#### BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Certificates. If the Certificates qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Certificates shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Certificates.

#### CUSIP NUMBERS

If the Certificates qualify for the assignment of CUSIP numbers such numbers will be printed on the Certificates; however, neither the failure to print such numbers on any Certificate nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Certificates. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal

Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

#### SETTLEMENT

On or about December 19, 2024, the Certificates will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Certificates shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Certificates has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

#### CONTINUING DISCLOSURE

At the time of delivery of the Certificates, the City will not be obligated with respect to more than \$10,000,000 of outstanding municipal securities, including the Certificates being offered hereby. In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the City will enter into a Continuing Disclosure Certificate pursuant to which it will covenant to file with the Municipal Securities Rulemaking Board electronically through the Electronic Municipal Market Access system certain financial information or operating data that is customarily prepared and is publicly available and notices of certain material events to the limited extent required by SEC Rule 15c2-12(d)(2). The Continuing Disclosure Certificate will be set forth in the Official Statement.

#### OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Certificates, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email [bids@bakertilly.com](mailto:bids@bakertilly.com).

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Certificates, together with any other information required by law. By awarding the Certificates to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated November 4, 2024

BY ORDER OF THE CITY COUNCIL

/s/ Janette Rust  
Finance Specialist

**CITY OF BREEZY POINT, MINNESOTA**  
**\$1,450,000\* General Obligation Equipment Certificates, Series 2024A**

For the Certificates of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$\_\_\_\_\_ (which may not be less than \$1,450,000 (Par)) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2026	_____%	_____%	_____%	2034	_____%	_____%	_____%
2027	_____%	_____%	_____%	2035	_____%	_____%	_____%
2028	_____%	_____%	_____%	2036	_____%	_____%	_____%
2029	_____%	_____%	_____%	2037	_____%	_____%	_____%
2030	_____%	_____%	_____%	2038	_____%	_____%	_____%
2031	_____%	_____%	_____%	2039	_____%	_____%	_____%
2032	_____%	_____%	_____%	2040	_____%	_____%	_____%
2023	_____%	_____%	_____%				

**Designation of Term Maturities**

Years of Term Maturities \_\_\_\_\_

In making this offer on the sale date of Monday, December 2, 2024 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated November 22, 2024 including the City's right to modify the principal amount of the Certificates. (See "Terms of Proposal" herein.) In the event of failure to deliver these Certificates in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Certificates.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ \_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

The Bidder  will not  will purchase municipal bond insurance from \_\_\_\_\_.

Account Members

\_\_\_\_\_  
Account Manager  
By: \_\_\_\_\_  
Phone: \_\_\_\_\_

The foregoing proposal has been accepted by the City.

Attest: \_\_\_\_\_

Date: \_\_\_\_\_

Phone: 651-223-3000

\* Preliminary; subject to change.

Email: [bids@bakertilly.com](mailto:bids@bakertilly.com)