

CITY OF BREEZY POINT, MINNESOTA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2014

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

CITY OF BREEZY POINT, MINNESOTA

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**INTRODUCTORY
SECTION**

**CITY OF BREEZY POINT, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CITY COUNCIL

Term Expires

JoAnn Weaver	Mayor	December 31, 2014
Tim Lillehei	Acting Mayor	December 31, 2014
Diane Williams	Council Member	December 31, 2016
Otto Schmid	Council Member	December 31, 2016
Michael Moroni	Council Member	December 31, 2014

CITY OFFICIALS

Joe Rudberg	City Administrator/Clerk	Appointed
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**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

March 5, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Breezy Point, Minnesota, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed by the State of Minnesota's Office of the State Auditor; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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St. Cloud, MN 56302
320.251.0286

Little Falls

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P.O. Box 365
Little Falls, MN 56345
320.632.6311

Albany

115 6th St.
P.O. Box 268
Albany, MN 56307
320.845.2940

Maple Lake

220 Hwy. 55 North, Ste. 4
P.O. Box 385
Maple Lake, MN 55358
320.963.5414

Monticello

114 W. 3rd St.
P.O. Box 755
Monticello, MN 55362
763.295.5070

Opinions

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of City of Breezy Point, Minnesota, as of December 31, 2014, and the respective changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Breezy Point, Minnesota, as of December 31, 2014, and changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting practices prescribed by the State of Minnesota's Office of the State Auditor described in Note 1.C.

Other Matters

Supplementary Information

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

The introductory and supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated March 5, 2015, on our consideration of the City of Breezy Point's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

BASIC FINANCIAL STATEMENTS

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Debt Service Fund	Revolving Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS					
Cash and Cash Equivalents	\$ 233,995	\$ 2,088	\$ 857,434	\$ 56,796	\$ 1,150,313
Investments	<u>673,330</u>	<u>210,976</u>	<u>278,613</u>	<u>24,493</u>	<u>1,187,412</u>
TOTAL ASSETS	<u>\$ 907,325</u>	<u>\$ 213,064</u>	<u>\$ 1,136,047</u>	<u>\$ 81,289</u>	<u>\$ 2,337,725</u>
 CASH FUND BALANCES					
Restricted	\$ -	\$ -	\$ 423,297	\$ 20,259	\$ 443,556
Assigned	-	220,130	712,750	61,030	993,910
Unassigned	<u>907,325</u>	<u>(7,066)</u>	<u>-</u>	<u>-</u>	<u>900,259</u>
TOTAL CASH FUND BALANCES	<u>\$ 907,325</u>	<u>\$ 213,064</u>	<u>\$ 1,136,047</u>	<u>\$ 81,289</u>	<u>\$ 2,337,725</u>

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Debt Service Fund	Revolving Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 1,538,985	\$ 203,329	\$ -	\$ 8,022	\$ 1,750,336
Special Assessments	29,881	197,474	-	-	227,355
Licenses, Permits and Fees	77,259	-	-	-	77,259
Intergovernmental	65,678	-	185	-	65,863
Charges for Services	61,696	-	330	14,431	76,457
Fines	10,243	-	15,611	-	25,854
Investment Income	7,670	6,604	12,146	885	27,305
Contributions	104	-	-	-	104
Miscellaneous	419	-	22,731	12,607	35,757
TOTAL RECEIPTS	1,791,935	407,407	51,003	35,945	2,286,290
DISBURSEMENTS					
Current:					
General Government:					
City Clerk	216,066	-	-	-	216,066
Council	13,739	-	-	-	13,739
General Government	304,264	-	-	-	304,264
Total General Government	534,069	-	-	-	534,069
Public Safety:					
Police	643,347	-	9,851	-	653,198
Fire	74,335	-	-	-	74,335
Total Public Safety	717,682	-	9,851	-	727,533
Public Works	321,693	-	-	-	321,693
Economic Development Authority	-	-	-	600	600
Cemetery	-	-	-	23,527	23,527
Parks and Recreation	2,950	-	200	-	3,150
Debt Service:					
Principal	44,081	2,415,000	-	-	2,459,081
Interest and Fiscal Charges	1,525	116,153	-	-	117,678
Total Debt Service	45,606	2,531,153	-	-	2,576,759
Capital Outlay	313,081	-	-	-	313,081
TOTAL DISBURSEMENTS	1,935,081	2,531,153	10,051	24,127	4,500,412
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(143,146)	(2,123,746)	40,952	11,818	(2,214,122)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	294,732	251,578	268,329	-	814,639
Operating Transfers Out	(151,902)	(96,285)	(130,976)	-	(379,163)
TOTAL OTHER FINANCING SOURCES (USES)	142,830	155,293	137,353	-	435,476
NET CHANGE IN CASH FUND BALANCES	(316)	(1,968,453)	178,305	11,818	(1,778,646)
CASH FUND BALANCES - BEGINNING	907,641	2,181,517	957,742	69,471	4,116,371
CASH FUND BALANCES - ENDING	\$ 907,325	\$ 213,064	\$ 1,136,047	\$ 81,289	\$ 2,337,725

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUND
DECEMBER 31, 2014

	<u>Sewer Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,109,876
Investments	<u>1,824,670</u>
TOTAL ASSETS	<u>\$ 2,934,546</u>
NET CASH ASSETS	
Unrestricted	<u>\$ 2,934,546</u>

CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Sewer Fund</u>
OPERATING RECEIPTS	
Charges for Services	\$ 369,782
OPERATING DISBURSEMENTS	
Personnel Services	142,968
Employee Benefits	32,352
Professional Services	7,381
Utilities	27,328
Supplies	32,366
Insurance	6,496
Other	<u>9,812</u>
TOTAL OPERATING DISBURSEMENTS	<u>258,703</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	111,079
NONOPERATING RECEIPTS	
Hook Up Fees	23,050
Miscellaneous	24,821
Special Assessments	56,181
Investment Income	<u>36,896</u>
TOTAL NONOPERATING RECEIPTS	<u>140,948</u>
NET CHANGE IN NET CASH ASSETS BEFORE OTHER DISBURSEMENTS AND TRANSFERS	252,027
OTHER DISBURSEMENTS AND TRANSFERS	
Capital Outlay	(343,037)
Operating Transfers Out	<u>(435,476)</u>
TOTAL OTHER DISBURSEMENTS AND TRANSFERS	<u>(778,513)</u>
CHANGE IN NET CASH ASSETS	(526,486)
NET CASH ASSETS-BEGINNING OF YEAR	<u>3,461,032</u>
NET CASH ASSETS-END OF YEAR (See Note 4.E.)	<u><u>\$ 2,934,546</u></u>

**CITY OF BREEZY POINT, MINNESOTA
STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 369,782
Cash Paid to Suppliers	(83,383)
Cash Paid to Employees	<u>(175,320)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	111,079
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Special Assessment Revenue	56,181
Other Receipts	47,871
Operating Subsidies and Transfers to Other Funds	<u>(435,476)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(331,424)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(343,037)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(400,231)
Investment Income	<u>36,896</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(363,335)</u>
Net Decrease in Cash and Cash Equivalents	(926,717)
Cash and Cash Equivalents - Beginning of Year	<u>2,036,593</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,109,876</u></u>

CITY OF BREEZY POINT, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Breezy Point, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota's Office of the State Auditor. See Note 1.C. for additional information.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: sanitary sewer, cemetery, parks, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Breezy Point.

In determining the financial reporting entity, the City complies with the provisions of GASB No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has one blended component unit: the Breezy Point Economic Development Authority.

The Breezy Point Economic Development Authority 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.

Discretely Presented Component Units

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

1.B. BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

**CITY OF BREEZY POINT, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.B. BASIS OF PRESENTATION (Continued)

The funds of the financial reporting entity are described below:

Fund Financial Statements (Continued)

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by Proprietary Funds. Ad valorem taxes, special assessments and tax increment financing are used for the payment of principal and interest on the City's judgment.

Proprietary Fund

Enterprise Fund

Enterprise Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains a Sewer Enterprise Fund.

Major Funds

The funds are further classified as major:

Fund	Brief Description
Governmental:	
General	See description above.
Revolving Capital	See special revenue funds description above.
Debt Service	See description above.
Proprietary Funds:	
Sewer	Accounts for the activities of the City for sewer services to the public.
Nonmajor:	
Special Revenue Funds	See description above.

CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements have been prepared on the regulatory basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory basis of accounting:

In the governmental and proprietary fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America.

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net assets and government-wide statement of activities and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting or proprietary receipts and disbursements in accordance with accounting principles generally accepted in the United States of America.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, AND EQUITY

Cash, Cash Equivalents, and Investments

For purposes of the Statement Balances Arising from Cash Transactions, "cash and cash equivalents" includes all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, "net cash assets" include all demand and savings accounts.

Method Used to Value Investments

Investments are stated at their fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 3.A. for additional information related to Cash, Cash Equivalent, and Investments.

CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, AND EQUITY (Continued)

Long-Term Debt

Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements in governmental funds. In proprietary funds, debt proceeds and payment of principal and interest are reported as other receipts and disbursements. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

Equity Classifications

Governmental Fund

In the governmental fund financial statements, governmental funds report cash fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. There are no nonspendable fund balances at December 31, 2014.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The City has formally adopted a policy under which it strives to maintain a minimum unassigned general fund balance equal to approximately 40%-45% of annual budgeted operating and debt service requirements.

See Note 3.D. for additional disclosures.

Proprietary fund

In the proprietary fund financial statements, net position is displayed in two components:

Restricted Cash Assets – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted Cash Assets – All other net position that do not meet the definition of “restricted”.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. RECEIPTS AND DISBURSEMENTS

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt. The City levies its property tax for the subsequent year during the month of September. The County of Crow Wing is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected.

November 15 is the last day the City can certify a tax levy to the County Auditor for collection the following year. The County Auditor makes up the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City. The County Auditor remits a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year. The County Treasurer collects all taxes and assessments, except as noted above. The County Treasurer mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. Operating disbursements for the proprietary fund include the cost of sales and services and administrative expense. All receipts and disbursements not meeting this definition are reported as nonoperating items which include revenue and expenses related to capital and related to financing, noncapital financing, or investing activities.

Disbursements

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

Governmental Funds-By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

Proprietary Funds-By Operating and Nonoperating

In the fund financial statements, governmental funds report disbursements of financial resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. See additional information at Note 3.C.

**CITY OF BREEZY POINT, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City complies with all state and local laws and regulations requiring the use of separate funds.

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standard letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

2.B. BUDGETARY INFORMATION

Annual budgets for the General Fund are adopted on the cash basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. The proposed budget is presented to the Council for review. The Council adopts a preliminary maximum levy. Truth-in-taxation notices are mailed out to residents by Crow Wing County. The Council adopts a final budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. The original and final budget, if amended, for the General Fund is presented in the supplementary information. The City has not prepared a budget for its major special revenue fund.

2.C. EXPENDITURES IN EXCESS OF BUDGET

Expenditures exceeded appropriations for the year ended December 31, 2014, as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Transfers Included In Actual
General	\$ 1,784,794	\$ 2,086,983	\$ 151,902

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, receipts, and expenditures.

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City's Council.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2014, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the government’s agent in the government’s name.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that 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 rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with 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. The City has an investment policy which further limits investment choices.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy is to diversify its investments among securities with various maturities.

Investment balances at December 31, 2014 are as follows:

Type of Investments	Credit Rating	Segmented Time Distribution	Fair Value
Money Market	N/A	Less than 1 year	\$ 48,064
Municipal Bonds	A1-AA2	Less than 1 year	201,732
US Government Bonds	AAA	Less than 1 year	930,091
Certificates of Deposit	N/A	1-5 years	1,006,566
US Government Bonds	AAA	1-5 years	350,774
Municipal Bonds	A2-AA2	1-5 years	474,855
Total Investments			<u>\$ 3,012,082</u>

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk as indicated in the table above. Minnesota Statutes limit the City’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments. At December 31, 2014, none of the underlying securities held by the City are not subject to custodial credit risk because they are insured by the Securities Investor Protection Corporation (SIPC).
- Concentration risk is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment and is disclosed above by presenting maturity information. The City has no formal policy to address interest rate risk.

3.B. DEBT

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The City occasionally enters into lease/purchase agreements as a means for financing the acquisition of new equipment. Collateral typically pledged under these agreements consists of the equipment acquired by the City through the agreements and has an approximate monetary value equal to the total original issuance amounts as shown below under the caption “other long-term debt”.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. DEBT (Continued)

Governmental Funds:

As of December 31, 2014, the long-term debt of the financial reporting entity consists of the following:

GOVERNMENTAL ACTIVITIES:

General Obligation Bonds					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
03/12	\$ 2,350,000	\$110,000 - 230,000	2.00-2.25%	12/24	\$ 2,150,000
		Debt Due Within One Year			230,000
		Debt Due After One Year			\$ 1,920,000

Other Long-Term Debt					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
02/08	\$ 134,955	\$5,712 - 22,030	5.25%	01/15	\$ 5,712
		Debt Due Within One Year			5,712
		Debt Due After One Year			\$ -

All bonds are direct obligations of the City and pledge the full faith and credit of the City.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Fund:					
General Obligation Bonds	\$ 4,565,000	\$ -	\$ (2,415,000)	\$ 2,150,000	\$ 230,000
Other Long-Term Debt	49,793	-	(44,081)	5,712	5,712
Long-Term Liabilities	\$ 4,614,793	\$ -	\$ (2,459,081)	\$ 2,155,712	\$ 235,712

Governmental fund debt is funded through General and Debt Service Funds.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. DEBT (Continued)

Annual Debt Service Requirements

At December 31, 2014, the estimated annual debt service and capital lease requirements to maturity including principal and interest are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2015	\$ 235,712	\$ 43,580	\$ 279,292
2016	225,000	38,905	263,905
2017	225,000	34,405	259,405
2018	225,000	29,905	254,905
2019	225,000	25,405	250,405
2020-2024	<u>1,020,000</u>	<u>58,995</u>	<u>1,078,995</u>
Total	<u>\$ 2,155,712</u>	<u>\$ 231,195</u>	<u>\$ 2,386,907</u>

On December 3, 2012, the City issued a \$2,350,000 crossover refunding bond with an interest rate of 2.00-2.25% to refund the 2004 Capital Public Safety Building Bond and 2007 General Obligation Improvement Bond. The net proceeds of the bond of \$2,350,000 were put in an escrow account and paid off the 2004 bond in February 2013. The remaining balance of the refunding was used to pay off the 2007 bond during 2014.

Interest and fiscal charges expense totals \$117,678 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances.

3.C. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2014:

Funds	Transfers Out	Transfers In			Total
		General	Debt Service	Revolving Capital	
General	\$ 151,902	\$ -	\$ -	\$ 151,902	\$ 151,902
Debt Service	96,285	-	-	96,285	96,285
Revolving Capital	130,976	130,976	-	-	130,976
Sewer	<u>435,476</u>	<u>163,756</u>	<u>251,578</u>	<u>20,142</u>	<u>435,476</u>
	<u>\$ 814,639</u>	<u>\$ 294,732</u>	<u>\$ 251,578</u>	<u>\$ 268,329</u>	<u>\$ 814,639</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. CASH FUND BALANCES

At December 31, 2014, governmental cash fund balances consists of the following:

	General Fund	Debt Service	Special Revenue Funds	Total Governmental Funds
Restricted for:				
Reserves	\$ -	\$ -	\$ 423,297	\$ 423,297
Special Revenue	-	-	20,259	20,259
Total Restricted	-	-	443,556	443,556
Assigned for:				
Debt Service	-	220,130	-	220,130
Reserves	-	-	712,750	712,750
Special Revenue	-	-	61,030	61,030
Total Assigned	-	220,130	773,780	993,910
Unassigned	907,325	(7,066)	-	900,259
Total Fund Balances	\$ 907,325	\$ 213,064	\$ 1,217,336	\$ 2,337,725

NOTE 4 OTHER NOTES

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

All full-time and certain part-time employees of the City of Breezy Point, Minnesota are covered by defined benefit 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), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after five years of credited service. The defined retirement 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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree-no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-1855 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members are required to contribute 10.2% of their annual covered salary in 2014. In 2014, the City of Breezy Point, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan PERF members, 15.3% for PEPFF members, and 8.75% for PECF members, as applicable. The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2014, 2013, and 2012 total \$27,683, \$27,036 and \$24,718, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2014, 2013, and 2012 total \$50,110, \$48,884, and \$44,911, respectively. The City's contributions are equal to the contractually required contributions as set by state statute.

Defined Contribution Plan

The City of Breezy Point provides pension benefits for its elected local government officials through the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.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 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2014	\$ 180	\$ 180	5.00%	5.00%	5.00%
2013	\$ 90	\$ 90	5.00%	5.00%	5.00%
2012	\$ 90	\$ 90	5.00%	5.00%	5.00%

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

4.C. COMMITMENTS

Contracts

The City has an executed agreement with the City of Pequot Lakes Fire Department to provide fire services through April 2015 at a cost of \$74,335 per year plus charges for hours and foam usage. Total expenses for the year ended December 31, 2014 are \$74,335. As of issuance of these financial statements, this contract has not been renewed.

The City has approved union contracts for Law Enforcement employees through 2017. These contracts define the terms of benefits and pay for law enforcement employees.

Accrued Employee Liabilities

An employee who separates from the City in good standing shall be compensated for un-used, accrued benefits such as comp time earned, vacation, and sick time. One hundred percent of earned comp and vacation is paid out at separation while sick time pay outs are subject to limitations of no more than 720 hours or 240 hours depending on hire date and/or collective bargaining agreements. At December 31, 2014, approximately \$160,000 is owed in accrued employee liabilities. A revolving reserve account is set up to assist with the funding and payment of these liabilities.

**CITY OF BREEZY POINT, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 OTHER NOTES (Continued)

4.D. REVOLVING CAPITAL FUND RESERVES

The Revolving Capital Fund reserves consist of the following:

Description	Amounts
Land Acquisitions	\$ 38,779
Police	26,868
Public Works	109,392
Administration	47,614
Civil Defense	1,398
Road Improvements	162,846
Future Improvements	524,859
Insurance	54,364
Alcohol Forfeiture (629)	15,993
Drug Forfeiture (630)	6,888
Well Maintenance	2,810
Parkland Dedication	13,983
Accrued Employee Liabilities	70,016
Signs	10,176
Parks and Recreation	30,605
Franchise Fees	<u>19,456</u>
 Total Revolving Capital Cash Fund Balance	 <u>\$ 1,136,047</u>

4.E. SEWER CAPITAL RESERVES

Approximately \$2,737,600 of cash is designated for future capital improvements in the Sewer Fund.

SUPPLEMENTARY INFORMATION

**CITY OF BREEZY POINT, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	<u>Final</u>	<u>Basis</u>	<u>(Under)</u>
RESOURCES (INFLOWS):			
Property Taxes	\$ 1,551,690	\$ 1,538,985	\$ (12,705)
Special Assessments	2,000	29,881	27,881
Licenses, Permits and Fees	46,020	77,259	31,239
Intergovernmental	53,100	65,678	12,578
Charges for Services	53,600	61,696	8,096
Fines	13,900	10,243	(3,657)
Investment Income	11,600	7,670	(3,930)
Contributions	200	104	(96)
Miscellaneous	410	419	9
Operating Transfers In	52,274	294,732	242,458
AMOUNTS AVAILABLE	<u>1,784,794</u>	<u>2,086,667</u>	<u>301,873</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Current:			
General Government:			
City Clerk	215,894	216,066	172
Council	15,384	13,739	(1,645)
General Government	273,562	304,264	30,702
Public Safety:			
Police	628,941	643,347	14,406
Fire	78,500	74,335	(4,165)
Public Works	322,337	321,693	(644)
Parks and Recreation	6,000	2,950	(3,050)
Debt Principal	54,000	44,081	(9,919)
Debt Interest	-	1,525	1,525
Capital Outlay	127,074	313,081	186,007
Operating Transfers Out	63,102	151,902	88,800
TOTAL CHARGES	<u>1,784,794</u>	<u>2,086,983</u>	<u>302,189</u>
ENDING BUDGETARY FUND BALANCE	<u>\$ -</u>	<u>\$ (316)</u>	<u>\$ (316)</u>

**CITY OF BREEZY POINT, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS -
 NONMAJOR OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2014**

	Cemetery Fund	EDA Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 53,745	\$ 3,051	\$ 56,796
Investments	21,261	3,232	24,493
TOTAL ASSETS	\$ 75,006	\$ 6,283	\$ 81,289
 CASH FUND BALANCES			
Restricted	\$ 20,259	\$ -	\$ 20,259
Assigned	54,747	6,283	61,030
TOTAL CASH FUND BALANCES	\$ 75,006	\$ 6,283	\$ 81,289

**CITY OF BREEZY POINT, MINNESOTA
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES -
 NONMAJOR OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Cemetery Fund</u>	<u>EDA Fund</u>	<u>Total Nonmajor Governmental Funds</u>
RECEIPTS			
Property Taxes	\$ 8,022	\$ -	\$ 8,022
Charges for Services	14,431	-	14,431
Investment Income	810	75	885
Miscellaneous	12,607	-	12,607
TOTAL RECEIPTS	<u>35,870</u>	<u>75</u>	<u>35,945</u>
DISBURSEMENTS			
Current:			
Economic Development Authority	-	600	600
Cemetery	23,527	-	23,527
TOTAL DISBURSEMENTS	<u>23,527</u>	<u>600</u>	<u>24,127</u>
NET CHANGE IN CASH FUND BALANCES	12,343	(525)	11,818
CASH FUND BALANCES - BEGINNING	<u>62,663</u>	<u>6,808</u>	<u>69,471</u>
CASH FUND BALANCES - ENDING	<u>\$ 75,006</u>	<u>\$ 6,283</u>	<u>\$ 81,289</u>

**CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

	Issue Date	Interest Rate	Maturity Date	Initial Authorized Issue	Outstanding Balance 01/01/14	Issued	Paid	Outstanding Balance 12/31/14	Principal Due in 2015
GENERAL OBLIGATION BONDS									
	05/24/05	2.90-4.50%	2/1/2021	\$ 1,150,000	\$ 705,000	\$ -	\$ 705,000	\$ -	\$ -
	07/18/07	4.00-4.30%	12/15/2014	1,900,000	1,285,000	-	1,285,000	-	-
	06/25/08	3.10-4.50%	12/15/2023	460,000	325,000	-	325,000	-	-
	03/13/12	2.00-2.25%	12/15/2024	<u>2,350,000</u>	<u>2,250,000</u>	<u>-</u>	<u>100,000</u>	<u>2,150,000</u>	<u>230,000</u>
TOTAL GENERAL OBLIGATION BONDS				5,860,000	4,565,000	-	2,415,000	2,150,000	230,000
OTHER LONG TERM DEBT									
	02/11/08	5.25%	1/10/2015	134,955	27,742	-	22,030	5,712	5,712
	09/23/09	4.50%	9/25/2014	<u>133,941</u>	<u>22,051</u>	<u>-</u>	<u>22,051</u>	<u>-</u>	<u>-</u>
TOTAL OTHER LONG TERM DEBT				<u>268,896</u>	<u>49,793</u>	<u>-</u>	<u>44,081</u>	<u>5,712</u>	<u>5,712</u>
TOTAL INDEBTEDNESS				<u>\$ 6,128,896</u>	<u>\$ 4,614,793</u>	<u>\$ -</u>	<u>\$ 2,459,081</u>	<u>\$ 2,155,712</u>	<u>\$ 235,712</u>

**CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2014
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Tax Settlement	\$ 34,024
General	Tax Settlement	1,555
General	Tax Settlement	2
General	DVD/CD Copies PD Rpts	15
General	Fines & Fees	873
General	Tax Settlement	338
General	Tax Settlement	759
General	Assessment Search	20
Cemetery	Tax Settlement	178
Debt Service	Tax Settlement	73
Debt Service	Tax Settlement	313
Debt Service	Tax Settlement	4,010
Debt Service	Tax Settlement	2,770
Debt Service	Tax Settlement	1,194
Debt Service	Tax Settlement	543
Debt Service	Tax Settlement	1,178
Debt Service	Tax Settlement	4,337
Debt Service	Tax Settlement	749
Debt Service	Tax Settlement	2,441
Debt Service	Tax Settlement	101
Revolving Capital	Fines & Fees	135
Sewer	Tax Settlement	85
Sewer	Tax Settlement	472
Sewer	Tax Settlement	4
Sewer	Tax Settlement	231
Sewer	Tax Settlement	2,517
		<u>\$ 58,917</u>

CITY OF BREEZY POINT, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE
DECEMBER 31, 2014
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>	
General	Galls/QuarterMaster	Operating Supplies	\$ 148	
	Culligan	Drinking water	27	
	AutoValue-Pequot Lakes	Repair/Maint Supplies	32	
	AutoValue-Pequot Lakes	Operating Supplies	26	
	Crow Wing Power	Electric Utility	163	
	Crow Wing Power	Electric Utility	100	
	Crow Wing Power	Electric Utility	586	
	Pitney Bowes	Operating Supplies	152	
	Freedom Services Inc	Employment Services	40	
	Verizon Wireless	Telephone (wireless)	106	
	The Office Shop	Office Supplies	175	
	The Office Shop	Office Supplies	16	
	Joe Malouf Ent-Uniform Decorations	Uniforms	21	
	Brian's Welding Inc	Repair/Maint Supplies	159	
	Menards-Baxter	Building Maint	140	
	Menards-Baxter	Operating Supplies	104	
	Gorvin Inc	Garbage Utility	27	
	Gorvin Inc	Garbage Utility	27	
	Keepsr Inc	Uniforms	501	
	Streichers	Uniforms	180	
	Widseth Smith Nolting	Disk Golf Course-Prop Corner Locates	428	
	Danrich Inspection Services	Building Inspection Services	2,532	
	All State Communications Inc	Building Maint	1,222	
	Crow Wing County Attorney	Legal/Prosecution Fees	1,031	
	Garcia, Josef E	Training Cost Reimb	289	
	Heartland Animal Rescue Team	Animal Control Services	235	
	Keepsr Inc	Uniforms	92	
	LMC	Training/Safety Class	514	
	Menards-Baxter	Operating Supplies	134	
	Pequot Lakes Sanitation	Score Recycling	1,121	
	Ratwik Roszak & Maloney Pa	Legal/Prosecution Fees	594	
	Sparrow Cleaning Service	Building Maint	350	
	Sparrow Cleaning Service	Building Maint	250	
	Thurlow Hardware & Rental	Operating Supplies	44	
	WastePartners	Score Recycling	1,879	
			<u>13,445</u>	
			\$ 13,445	
	Sewer	Crow Wing Power	Electric Utility	1,541
		Verizon Wireless	Telephone (wireless)	106
		Gopher State One Call	Locates	3
		LMC	Training/Safety Class	343
		Menards-Baxter	Operating Supplies	52
			<u>2,045</u>	
	Cemetery	Crow Wing Power	Electric Utility	40
		Widseth Smith Nolting	Professional Services	83
			<u>123</u>	
			<u>\$ 15,613</u>	

OTHER REPORT

**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

March 5, 2015

Honorable Mayor and 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 financial statements of each major fund and the aggregate remaining fund information of the City of Breezy Point, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2015.

The Minnesota Legal Compliance Audit Guide for Political Subdivisions, promulgated by the State Auditor pursuant to Minn. Statute § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except tax increment financing, since the City has none.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described below:

- The City failed to file their schedule of indebtedness with the county by February 1, 2015, as is required under Minnesota Statute § 471.70.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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



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