

**CITY OF BREEZY POINT, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**SCHLENNER WENNER & CO.**  
**Certified Public Accountants**  
**& Business Consultants**

**CITY OF BREEZY POINT, MINNESOTA**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION:**

**CITY COUNCIL AND OFFICIALS** ..... 1

**FINANCIAL SECTION:**

**INDEPENDENT AUDITORS' REPORT** ..... 2

**BASIC FINANCIAL STATEMENTS:**

Statement of Balances Arising from Cash Transactions –  
Governmental Funds ..... 4

Statement of Receipts, Disbursements and Changes in  
Cash Fund Balances – Governmental Funds ..... 5

Statement of Balances Arising from Cash Transactions –  
Proprietary Fund ..... 6

Statement of Receipts, Disbursements and Changes in Net  
Cash Assets – Proprietary Fund ..... 7

Statement of Cash Flows – Cash Basis –  
Proprietary Fund ..... 8

Notes to the Basic Financial Statements ..... 9

**SUPPLEMENTARY INFORMATION:**

Budgetary Comparison Schedule – General Fund –  
Regulatory Basis ..... 22

Combining Statement of Balances Arising from Cash Transactions –  
Nonmajor Other Governmental Funds ..... 23

Combining Statement of Receipts, Disbursements and Changes in  
Cash Fund Balances – Nonmajor Other Governmental Funds ..... 24

Schedule of Indebtedness ..... 25

Schedule of Accounts Receivable ..... 26

Schedule of Accounts Payable ..... 27

**OTHER REPORT:**

Independent Auditors' Report on Minnesota Legal Compliance ..... 28

**INTRODUCTORY  
SECTION**

**CITY OF BREEZY POINT, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**CITY COUNCIL**

Term Expires

Tim Lillehei	Mayor	December 31, 2016
Otto Schmid	Acting Mayor	December 31, 2016
Diane Williams	Council Member	December 31, 2016
Gary Bakken	Council Member	December 31, 2018
Michael Moroni	Council Member	December 31, 2018

**CITY OFFICIALS**

Joe Rudberg	City Administrator/Clerk	Appointed
-------------	--------------------------	-----------

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

March 17, 2016

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, 2015, 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.

#### St. Cloud

630 Roosevelt Rd. Ste. 201  
P.O. Box 1496  
St. Cloud, MN 56302  
320.251.0286

#### Little Falls

109 E. Broadway  
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, 2015, 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, 2015, 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 17, 2016, 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, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Revolving Capital Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 146,713	\$ -	\$ 1,105,494	\$ 69,138	\$ 1,321,345
Investments	<u>951,833</u>	<u>221,980</u>	<u>369,826</u>	<u>32,512</u>	<u>1,576,151</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,098,546</u>	<u>\$ 221,980</u>	<u>\$ 1,475,320</u>	<u>\$ 101,650</u>	<u>\$ 2,897,496</u>
<b>CASH FUND BALANCES</b>					
Restricted	\$ -	\$ 1,850	\$ 409,127	\$ 29,061	\$ 440,038
Assigned	-	220,130	1,066,193	72,589	1,358,912
Unassigned	<u>1,098,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,098,546</u>
<b>TOTAL CASH FUND BALANCES</b>	<u>\$ 1,098,546</u>	<u>\$ 221,980</u>	<u>\$ 1,475,320</u>	<u>\$ 101,650</u>	<u>\$ 2,897,496</u>

**CITY OF BREEZY POINT, MINNESOTA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Debt Service Fund	Revolving Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 1,577,397	\$ 201,308	\$ -	\$ 8,068	\$ 1,786,773
Special Assessments	164,870	79,936	-	-	244,806
Licenses, Permits and Fees	86,019	-	-	-	86,019
Intergovernmental	134,062	-	182	-	134,244
Charges for Services	63,196	-	-	12,173	75,369
Fines	13,884	-	8,287	-	22,171
Investment Income	5,331	2,421	11,124	854	19,730
Contributions	5,790	-	-	-	5,790
Miscellaneous	4,099	-	33,980	14,513	52,592
<b>TOTAL RECEIPTS</b>	<u>2,054,648</u>	<u>283,665</u>	<u>53,573</u>	<u>35,608</u>	<u>2,427,494</u>
<b>DISBURSEMENTS</b>					
Current:					
General Government:					
City Clerk	223,785	-	-	-	223,785
Council	20,822	-	-	-	20,822
General Government	221,157	-	21,609	-	242,766
Total General Government	<u>465,764</u>	<u>-</u>	<u>21,609</u>	<u>-</u>	<u>487,373</u>
Public Safety:					
Police	622,664	-	33,741	-	656,405
Fire	76,028	-	-	-	76,028
Total Public Safety	<u>698,692</u>	<u>-</u>	<u>33,741</u>	<u>-</u>	<u>732,433</u>
Public Works	265,690	-	-	-	265,690
Economic Development Authority	-	-	-	600	600
Cemetery	-	-	-	14,647	14,647
Parks and Recreation	3,892	-	-	-	3,892
Debt Service:					
Principal	5,712	230,000	-	-	235,712
Interest and Fiscal Charges	75	44,749	-	-	44,824
Total Debt Service	<u>5,787</u>	<u>274,749</u>	<u>-</u>	<u>-</u>	<u>280,536</u>
Capital Outlay	70,159	-	12,393	-	82,552
<b>TOTAL DISBURSEMENTS</b>	<u>1,509,984</u>	<u>274,749</u>	<u>67,743</u>	<u>15,247</u>	<u>1,867,723</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	544,664	8,916	(14,170)	20,361	559,771
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	-	-	353,443	-	353,443
Operating Transfers Out	(353,443)	-	-	-	(353,443)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(353,443)</u>	<u>-</u>	<u>353,443</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	191,221	8,916	339,273	20,361	559,771
<b>CASH FUND BALANCES - BEGINNING</b>	<u>907,325</u>	<u>213,064</u>	<u>1,136,047</u>	<u>81,289</u>	<u>2,337,725</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 1,098,546</u>	<u>\$ 221,980</u>	<u>\$ 1,475,320</u>	<u>\$ 101,650</u>	<u>\$ 2,897,496</u>

**CITY OF BREEZY POINT, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2015**

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 762,506
Investments	<u>2,422,037</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,184,543</u>
<b>NET CASH ASSETS</b>	
Unrestricted	<u>\$ 3,184,543</u>

**CITY OF BREEZY POINT, MINNESOTA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer Fund</u>
<b>OPERATING RECEIPTS</b>	
Charges for Services	\$ 373,814
<b>OPERATING DISBURSEMENTS</b>	
Personnel Services	122,897
Employee Benefits	28,383
Professional Services	2,419
Utilities	27,612
Supplies	26,496
Insurance	6,564
Other	<u>7,714</u>
<b>TOTAL OPERATING DISBURSEMENTS</b>	<u>222,085</u>
<b>EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS</b>	151,729
<b>NONOPERATING RECEIPTS</b>	
Hook Up Fees	23,200
Miscellaneous	816
Special Assessments	78,702
Investment Income	<u>22,872</u>
<b>TOTAL NONOPERATING RECEIPTS</b>	<u>125,590</u>
<b>NET CHANGE IN NET CASH ASSETS BEFORE OTHER DISBURSEMENTS AND TRANSFERS</b>	277,319
<b>OTHER DISBURSEMENTS AND TRANSFERS</b>	
Capital Outlay	<u>(27,322)</u>
<b>CHANGE IN NET CASH ASSETS</b>	249,997
<b>NET CASH ASSETS-BEGINNING OF YEAR</b>	<u>2,934,546</u>
<b>NET CASH ASSETS-END OF YEAR (See Note 4.E.)</b>	<u><u>\$ 3,184,543</u></u>

**CITY OF BREEZY POINT, MINNESOTA  
STATEMENT OF CASH FLOWS - CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 373,814
Cash Paid to Suppliers	(70,805)
Cash Paid to Employees	(151,280)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	151,729
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Special Assessment Revenue	78,702
Other Receipts	24,016
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	102,718
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(27,322)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(597,367)
Investment Income	22,872
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	(574,495)
Net Decrease in Cash and Cash Equivalents	(347,370)
Cash and Cash Equivalents - Beginning of Year	1,109,876
Cash and Cash Equivalents - End of Year	\$ 762,506

See accompanying notes.

**CITY OF BREEZY POINT, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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, 2015**

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

**1.B. BASIS OF PRESENTATION (Continued)**

**Fund Financial Statements (Continued)**

The funds of the financial reporting entity are described below:

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, 2015**

**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, 2015**

**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, 2015.

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, 2015**

**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, 2015**

**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.

**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.

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;

**CITY OF BREEZY POINT, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

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

**Deposits (Continued)**

- 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, 2015, 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.

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.

**CITY OF BREEZY POINT, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

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

**Investments (Continued)**

Investment balances at December 31, 2015 are as follows:

Type of Investments	Credit Rating	Segmented Time Distribution	Fair Value
Money Market	N/A	Less than 1 year	\$           2,919
Certificates of Deposit	N/A	Less than 1 year	1,299,601
Certificates of Deposit	N/A	1-5 years	1,329,774
Certificates of Deposit	N/A	6-10 years	197,320
US Government Bonds	AAA	Less than 1 year	208,740
US Government Bonds	AAA	1-5 years	497,985
Municipal Bonds	AA2	1-5 years	<u>461,849</u>
 Total Investments			 <u>\$           3,998,188</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, 2015, 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.

**CITY OF BREEZY POINT, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**3.B.        DEBT (Continued)**

**Governmental Funds:**

As of December 31, 2015, 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	\$ 1,920,000
		Debt Due Within One Year			225,000
		Debt Due After One Year			\$ 1,695,000

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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Fund:</b>					
General Obligation Bonds	\$ 2,150,000	\$ -	\$ (230,000)	\$ 1,920,000	\$ 225,000
Other Long-Term Debt	5,712	-	(5,712)	-	-
Long-Term Liabilities	\$ 2,155,712	\$ -	\$ (235,712)	\$ 1,920,000	\$ 225,000

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

**Annual Debt Service Requirements**

At December 31, 2015, 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
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	225,000	20,905	245,905
2021-2024	795,000	38,090	833,090
Total	\$ 1,920,000	\$ 187,615	\$ 2,107,615

Interest and fiscal charges expense totals \$44,824 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances.

**CITY OF BREEZY POINT, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**3.C.            INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2015:

Funds	Transfers Out	Transfers In Revolving Capital
General	\$ 353,443	\$ 353,443

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.

**3.D.            CASH FUND BALANCES**

At December 31, 2015, governmental cash fund balances consists of the following:

	General Fund	Debt Service	Special Revenue Funds	Total Governmental Funds
Restricted for:				
Reserves	\$ -	\$ 1,850	\$ 409,127	\$ 410,977
Special Revenue	-	-	29,061	29,061
Total Restricted	-	1,850	438,188	440,038
Assigned for:				
Debt Service	-	220,130	-	220,130
Reserves	-	-	1,066,193	1,066,193
Special Revenue	-	-	72,589	72,589
Total Assigned	-	220,130	1,138,782	1,358,912
Unassigned	1,098,546	-	-	1,098,546
Total Fund Balances	\$ 1,098,546	\$ 221,980	\$ 1,576,970	\$ 2,897,496

**CITY OF BREEZY POINT, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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.

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](http://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.

**CITY OF BREEZY POINT, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2015**

**NOTE 4 OTHER NOTES (Continued)**

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

**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. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.5%, respectively, of their annual covered salary in 2015. PEPFF members are required to contribute 10.8% of their annual covered salary in 2015. In 2015, the City of Breezy Point, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members, 7.5% for Coordinated Plan PERP members, 16.2% 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, 2015, 2014, and 2013 total \$27,196, \$27,683, and \$27,036, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2015, 2014, and 2013 total \$61,220, \$50,110, and \$48,884, 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.

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	
2015	\$ 300	\$ 300	5.00%	5.00%	5.00%
2014	\$ 180	\$ 180	5.00%	5.00%	5.00%
2013	\$ 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 disclosed 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.

**CITY OF BREEZY POINT, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 OTHER NOTES (Continued)**

**4.C. COMMITMENTS**

**Contracts**

The City has executed an agreement with the City of Pequot Lakes Fire Department to provide fire services through April 2016 at a cost of \$59,769 per year plus an additional \$16,259 annually to the Fireman’s Relief Association so long as the contract remains in effect. Total expenses for the year ended December 31, 2015 are \$76,028.

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, 2015, approximately \$186,000 is owed in accrued employee liabilities. A revolving reserve account is set up to assist with the funding and payment of these potential liabilities.

**4.D. REVOLVING CAPITAL FUND RESERVES**

The Revolving Capital Fund reserves consist of the following:

Description	Amounts
Land Acquisitions	\$ 21,012
Police	33,227
Public Works	150,238
Administration	108,141
Civil Defense	1,405
Road Improvements	396,650
Future Improvements	527,553
Insurance	58,873
Alcohol Forfeiture (629)	6,934
Drug Forfeiture (630)	6,434
Well Maintenance	2,824
Parkland Dedication	14,052
Accrued Employee Liabilities	83,125
Signs	11,057
Parks and Recreation	35,794
Franchise Fees	18,002
Total Revolving Capital Cash Fund Balance	\$ 1,475,320

**4.E. SEWER CAPITAL RESERVES**

Approximately \$3,024,693 of cash is designated for future capital improvements in the Sewer Fund.

**4.F. SUBSEQUENT EVENTS**

Subsequent to year end but prior to the issuance of these financial statements, the City purchased a new sewer truck at a cost of \$64,477 and sold a pick-up truck for \$5,725. The City has also accepted a bid for a 2016 Road Improvement Project at a cost totaling \$95,496.

**SUPPLEMENTARY INFORMATION**

**CITY OF BREEZY POINT, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes	\$ 1,558,080	\$ 1,577,397	\$ 19,317
Special Assessments	111,858	164,870	53,012
Licenses, Permits and Fees	75,020	86,019	10,999
Intergovernmental	60,400	134,062	73,662
Charges for Services	55,000	63,196	8,196
Fines	11,100	13,884	2,784
Investment Income	11,600	5,331	(6,269)
Contributions	200	5,790	5,590
Miscellaneous	400	4,099	3,699
Operating Transfers In	94,000	-	(94,000)
<b>AMOUNTS AVAILABLE</b>	<u>1,977,658</u>	<u>2,054,648</u>	<u>76,990</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Current:			
General Government:			
City Clerk	228,600	223,785	(4,815)
Council	21,588	20,822	(766)
General Government	504,597	221,157	(283,440)
Public Safety:			
Police	660,947	622,664	(38,283)
Fire	79,000	76,028	(2,972)
Public Works	342,139	265,690	(76,449)
Parks and Recreation	6,000	3,892	(2,108)
Debt Principal	5,787	5,712	(75)
Debt Interest	-	75	75
Capital Outlay	119,000	70,159	(48,841)
Operating Transfers Out	10,000	353,443	343,443
<b>TOTAL CHARGES</b>	<u>1,977,658</u>	<u>1,863,427</u>	<u>(114,231)</u>
<b>ENDING BUDGETARY FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 191,221</u>	<u>\$ 191,221</u>

**CITY OF BREEZY POINT, MINNESOTA  
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS -  
 NONMAJOR OTHER GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015**

	<u>Cemetery Fund</u>	<u>EDA Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 67,698	\$ 1,440	\$ 69,138
Investments	<u>28,222</u>	<u>4,290</u>	<u>32,512</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 95,920</u></u>	<u><u>\$ 5,730</u></u>	<u><u>\$ 101,650</u></u>
<b>CASH FUND BALANCES</b>			
Restricted	\$ 29,061	\$ -	\$ 29,061
Assigned	<u>66,859</u>	<u>5,730</u>	<u>72,589</u>
<b>TOTAL CASH FUND BALANCES</b>	<u><u>\$ 95,920</u></u>	<u><u>\$ 5,730</u></u>	<u><u>\$ 101,650</u></u>

**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, 2015**

	<u>Cemetery Fund</u>	<u>EDA Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>RECEIPTS</b>			
Property Taxes	\$ 8,068	\$ -	\$ 8,068
Charges for Services	12,173	-	12,173
Investment Income	808	46	854
Miscellaneous	14,512	1	14,513
<b>TOTAL RECEIPTS</b>	<u>35,561</u>	<u>47</u>	<u>35,608</u>
<b>DISBURSEMENTS</b>			
Current:			
Economic Development Authority	-	600	600
Cemetery	14,647	-	14,647
<b>TOTAL DISBURSEMENTS</b>	<u>14,647</u>	<u>600</u>	<u>15,247</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	20,914	(553)	20,361
<b>CASH FUND BALANCES - BEGINNING</b>	<u>75,006</u>	<u>6,283</u>	<u>81,289</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 95,920</u>	<u>\$ 5,730</u>	<u>\$ 101,650</u>

**CITY OF BREEZY POINT, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(UNAUDITED)**

	Issue Date	Interest Rate	Maturity Date	Initial Authorized Issue	Outstanding Balance 01/01/15	Issued	Paid	Outstanding Balance 12/31/15	Principal Due in 2016
<b>GENERAL OBLIGATION BONDS</b>									
2012A GO Crossover Refunding Bonds	03/13/12	2.00-2.25%	12/15/2024	\$ 2,350,000	\$ 2,150,000	\$ -	\$ 230,000	\$ 1,920,000	\$ 225,000
<b>OTHER LONG TERM DEBT</b>									
Wheel Loader Lease	02/11/08	5.25%	1/10/2015	<u>134,955</u>	<u>5,712</u>	<u>-</u>	<u>5,712</u>	<u>-</u>	<u>-</u>
<b>TOTAL INDEBTEDNESS</b>				<u>\$ 2,484,955</u>	<u>\$ 2,155,712</u>	<u>\$ -</u>	<u>\$ 235,712</u>	<u>\$ 1,920,000</u>	<u>\$ 225,000</u>

**CITY OF BREEZY POINT, MINNESOTA  
SCHEDULE OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2015  
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Next Day Shipping-AlcLic	\$ 25
General	Assessment Search	5
General	Tax Settlement	41,702
General	Assessment Search	5
Cemetery	Tax Settlement	131
Debt Service	Tax Settlement	13,775
Sewer	Tax Settlement	1,768
		<u>\$ 57,411</u>

**CITY OF BREEZY POINT, MINNESOTA  
SCHEDULE OF ACCOUNTS PAYABLE  
DECEMBER 31, 2015  
(UNAUDITED)**

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>		
General	Ameripride Inc	Building Maint	\$ 145		
	Auto Value Pequot Lakes	Motor Fuels	19		
	Breezy Point Hardware	Building Maint	6		
	City of Baxter	Operating Supplies	110		
	Crow Wing Power	Electric Utility	566		
	Crow Wing Power	Electric Utility	139		
	Crow Wing Power	Electric Utility	251		
	Culligan	Building Maint	17		
	CW Technology	General Operating	89		
	Danrich Inspection Services	Building Inspection Services	3,882		
	H&L Mesabi Inc	Repair/Maint Supplies	1,062		
	Keeps Inc	Uniforms	124		
	Menards-Baxter	General Operating	30		
	Paper Storm	Combined Utilities	26		
	Paper Storm	Combined Utilities	26		
	Petty Cash - City Hall	General Operating	22		
	Petty Cash - City Hall	Motor Fuels-Reimb	17		
	Pitney Bowes	Office Equip	152		
	Premier Auto Repair	Repair/Maint Supplies	847		
	Purchase Power	General Operating	87		
	Purchase Power	General Operating	23		
	Purchase Power	General Operating	74		
	Purchase Power	General Operating	32		
	Purchase Power	General Operating	5		
	US Auto Force	Repair/Maint Supplies	494		
	Verizon Wireless	Telephone	151		
	Widseth Smith Nolting & Assoc	Mapping	43		
	Widseth Smith Nolting & Assoc	Engineering-Scenic Overlook	5,273		
	Widseth Smith Nolting & Assoc	Engineering-Winter Trail	3,097		
	WEX Bank	Motor Fuels	779		
	WEX Bank	Motor Fuels	208		
	Auto Value Pequot Lakes	Repair/Maint Supplies	5		
	Verizon Wireless	Telephone	513		
	Keeps Inc	Uniforms	41		
	Essentia Health	Professional Services	10		
	Oasis Oil Company	Motor Fuels	440		
	Houston Ford Inc	Repair/Maint Supplies	130		
	Xcel Energy	Combined Utilities	363		
	Xcel Energy	Combined Utilities	247		
	Premier Auto Repair	Repair/Maint Supplies	29		
	Symbol Arts	Uniforms	550		
	Ameripride	Building Maint	144		
	Crow Wing County Attorney	Prosecution Costs	1,467		
				<u>1,467</u>	
				\$	21,732
Sewer	Breezy Point Hardware	Repair/Maint Supplies	61		
	Crow Wing Power	Electric Utility	1,589		
	Menards-Baxter	General Operating	20		
	Petty Cash - City Hall	Travel Exp Reimb	113		
	Purchase Power	Operating Supplies	198		
	Verizon Wireless	Telephone	101		
	WEX Bank	Motor Fuels	130		
	Auto Value Pequot Lakes	General Operating	10		
	Essentia Health	Professional Services	198		
	Thurlow Hardware & Rental	Repair/Maint Supplies	15		
	Breezy Point Hardware	Repair/Maint Supplies	8		
	Electric Pump	Repair/Maint Supplies	5,481		
				<u>5,481</u>	7,924
Revolving Capital	Turner Towing	Forfeiture - Towing Exp	130		
	Crow Wing County Attorney	Forfeiture	44		
	State of MN	Forfeiture	22		
			<u>22</u>	196	
Cemetery	Crow Wing Power	Electric Utility	40		
	Purchase Power	General Operating	41		
			<u>41</u>	81	
			\$	<u>29,932</u>	

## **OTHER REPORT**

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

March 17, 2016

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2016.

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 of Breezy Point failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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 of Breezy Point'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.

*Schlenner Wenner & Co.*

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

**St. Cloud**

630 Roosevelt Rd. Ste. 201  
P.O. Box 1496  
St. Cloud, MN 56302  
320.251.0286

**Little Falls**

109 E. Broadway  
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