

Annual Financial Report

City of Isanti

Isanti, Minnesota

For the Year Ended
December 31, 2017

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City of Isanti, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2017

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	41
Proprietary Funds	
Statement of Net Position	42
Statement of Revenues, Expenses and Changes in Net Position	45
Statement of Cash Flows	46
Fiduciary Fund	
Statement of Fiduciary Net Position	48
Notes to the Financial Statements	49
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	78
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	78
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	80
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	80
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	85
Nonmajor Special Revenue Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Nonmajor Capital Projects Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	92
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	95
Debt Service Funds	
Combining Balance Sheet	100
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	102

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City of Isanti, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2017

	<u>Page No.</u>
Combining and Individual Fund Financial Statements and Schedules (Continued)	
Agency Fund	
Schedule of Changes in Assets and Liabilities	104
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	105
Other Required Reports	
Independent Auditors Report	
on Minnesota Legal Compliance	109
Independent Auditor's Report on Internal Control Over Financial	
Reporting and on Compliance and Other Matters Based on	
an Audit of Financial Statements Performed in Accordance	
with <i>Government Auditing Standards</i>	110
Schedule of Findings and Responses	113

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INTRODUCTORY SECTION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Isanti, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2017

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires December 31,</u>
George Wimmer	Mayor	2018
Ross Lorinser	Council Member	2020
Steve Lundeen	Council Member	2020
Paul Bergley	Council Member	2018
Dan Collison	Council Member	2018

APPOINTED

Donald Lorsung	Administrator
Mike Betker	Finance Director

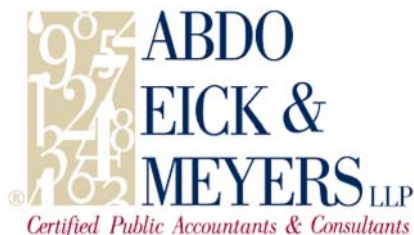
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FINANCIAL SECTION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Isanti, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City), as of and for the year ended December 31, 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

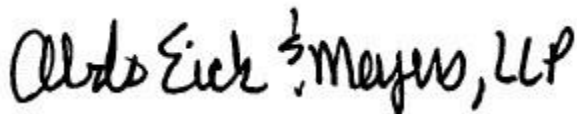
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to basic the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 6, 2018

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Management's Discussion and Analysis

As management of the City of Isanti, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017.

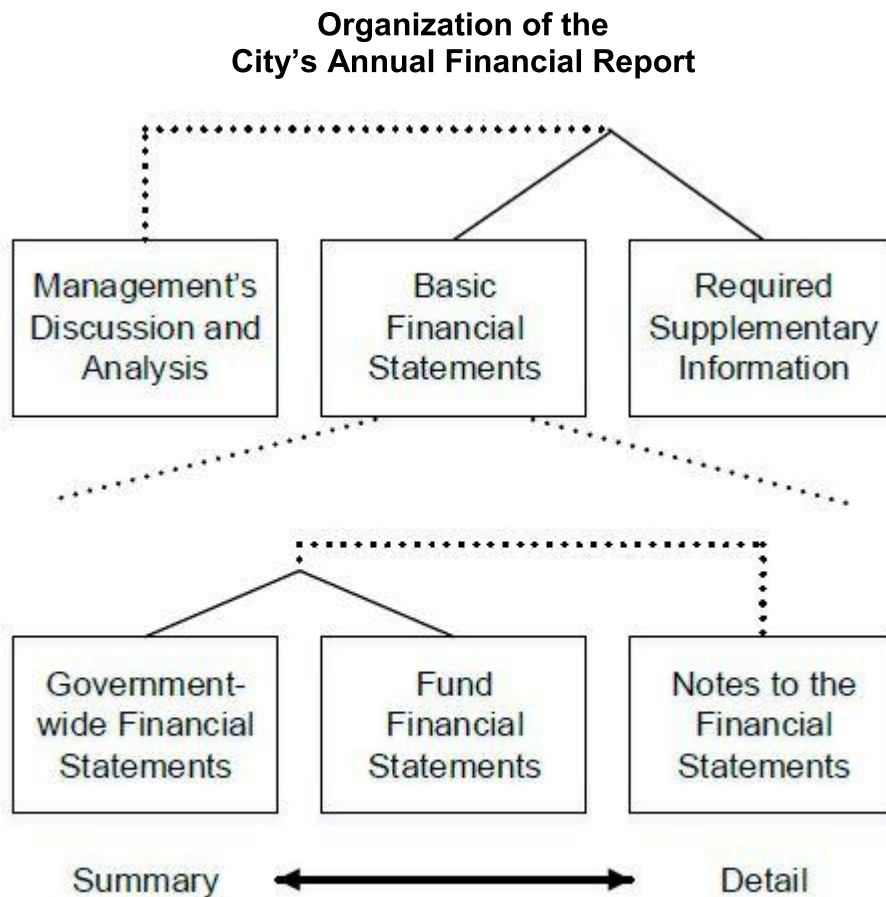
Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,358,243. Of this amount, \$5,608,590 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,100,256. This was largely a result of operating income within business-type activities of \$535,601 as well as capital contributions of \$964,257.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,361,480, a decrease of \$23,909, in comparison with the prior year.
- At the end of the current fiscal year, unrestricted fund balance for the General fund was \$2,076,531.
- The City's total noncurrent liabilities decreased \$1,580,276 (18.8 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The following chart shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.



The following chart summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> Statements of Net Position Statements of Revenues, Expenses and Changes in Fund Net Position Statements of Cash Flows 	<ul style="list-style-type: none"> Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred inflows and liabilities and deferred outflows, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City include water, sewer, storm water and a liquor store.

The government-wide financial statements start on page 31 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and the fiduciary fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 34 individual governmental funds, 7 of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Debt Service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, liquor store, and storm water.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 42 of this report.

Fiduciary Fund. The fiduciary fund is used to account for resources held for the benefit of parties outside the City. The fiduciary fund is *not* reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 48 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$44,358,243 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (79.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Isanti's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	\$ 6,060,970	\$ 6,285,428	\$ (224,458)	\$ 6,229,514	\$ 7,126,155	\$ (896,641)
Capital assets, net of depreciation	18,999,082	19,349,670	(350,588)	29,419,467	28,671,465	748,002
Total Assets	25,060,052	25,635,098	(575,046)	35,648,981	35,797,620	(148,639)
Deferred Outflows of Resources						
Deferred pension resource	1,704,525	2,300,959	(596,434)	133,949	218,053	(84,104)
Liabilities						
Noncurrent liabilities outstanding	6,361,814	8,907,806	(2,545,992)	9,346,470	10,433,623	(1,087,153)
Other liabilities	125,367	166,088	(40,721)	145,093	300,554	(155,461)
Total Liabilities	6,487,181	9,073,894	(2,586,713)	9,491,563	10,734,177	(1,242,614)
Deferred Inflows of Resources						
Resources received in advance	207,556	383,759	(176,203)	-	-	-
Deferred pension resource	1,882,760	437,451	1,445,309	120,204	64,462	55,742
Total Deferred Inflows of Resources	2,090,316	821,210	1,269,106	120,204	64,462	55,742
Net Position						
Net investment in capital assets	14,636,421	14,413,507	222,914	20,652,977	19,675,184	977,793
Restricted	3,287,731	3,362,465	(74,734)	172,524	159,403	13,121
Unrestricted	262,928	264,981	(2,053)	5,345,662	5,382,447	(36,785)
Total Net Position	\$ 18,187,080	\$ 18,040,953	\$ 146,127	\$ 26,171,163	\$ 25,217,034	\$ 954,129

An additional portion of the City's net position (7.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$5,608,590, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

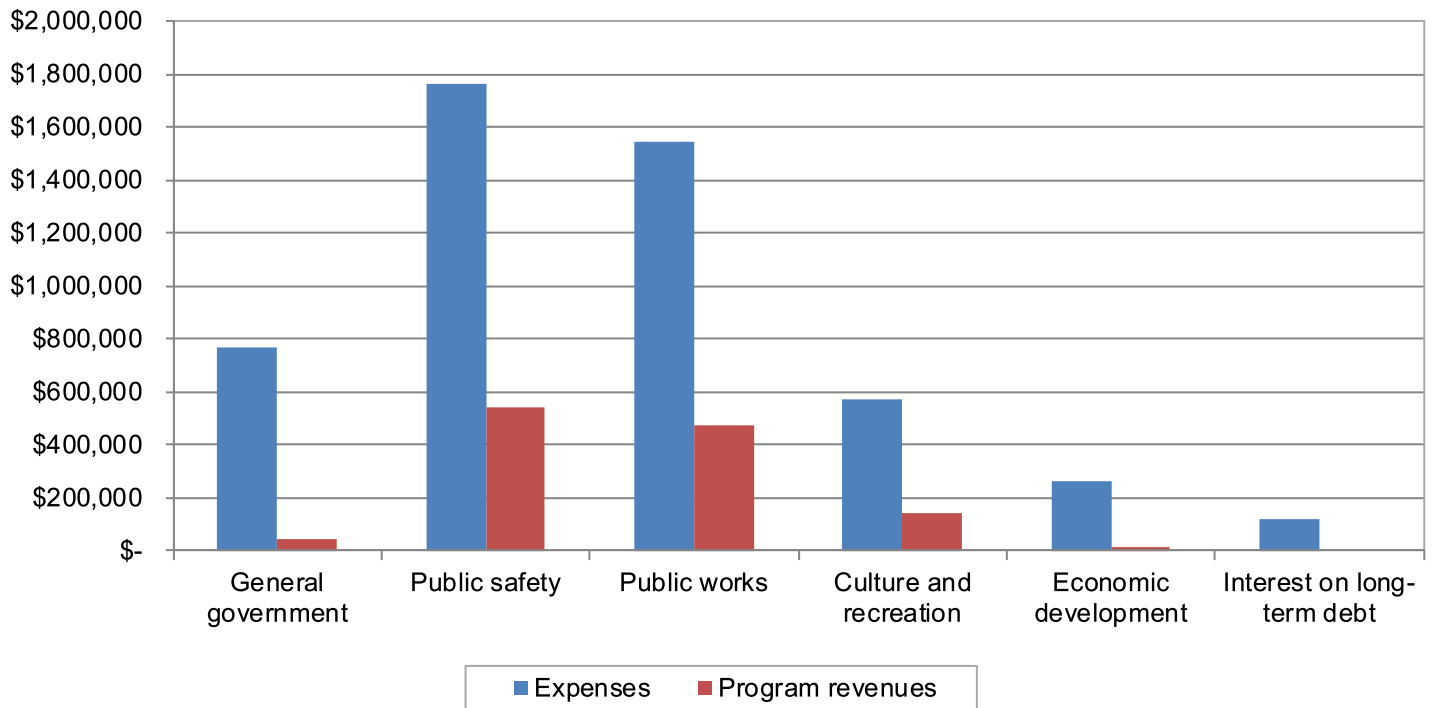
Governmental Activities. The City's net position increased \$1,100,256 during the current fiscal year. Governmental activities decreased the City's net position by \$146,127 thereby accounting for 13.3 percent of the total growth in the net position of the City. Significant changes from the prior year are noted below:

City of Isanti's Changes in Net Position

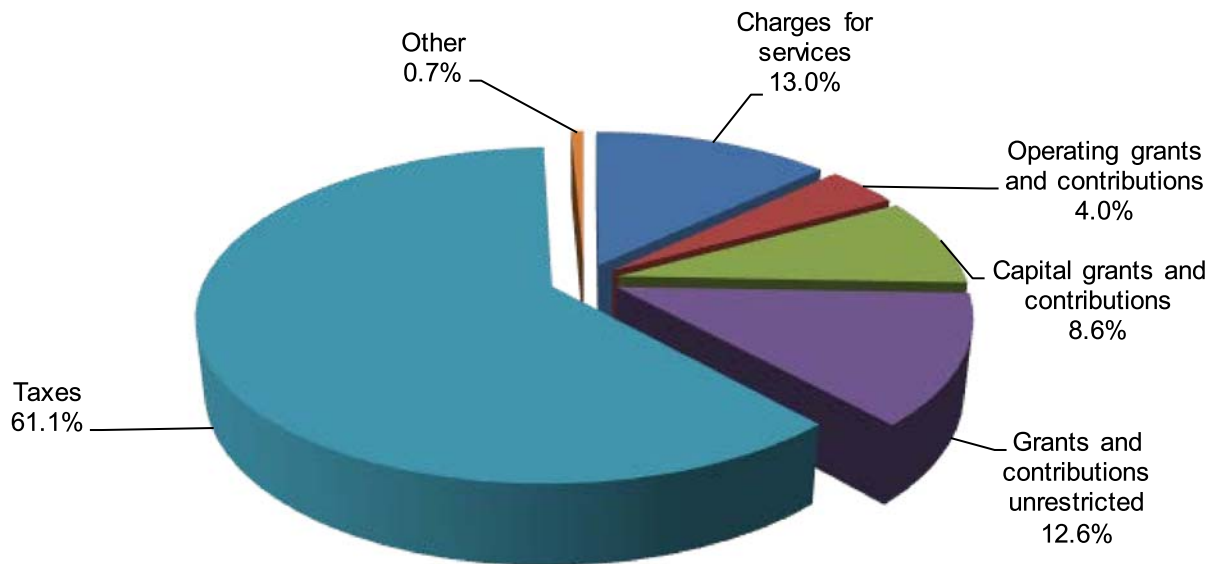
	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 621,573	\$ 616,744	\$ 4,829	\$ 5,046,100	\$ 5,260,642	\$ (214,542)
Operating grants and contributions	190,268	221,222	(30,954)	12,133	27,357	(15,224)
Capital grants and contributions	413,260	211,562	201,698	964,569	921,501	43,068
General Revenues						
Taxes						
Property taxes	2,590,526	2,537,342	53,184	-	-	-
Tax increment	19,403	46,861	(27,458)	-	-	-
Other taxes	313,276	300,329	12,947	-	-	-
Grants and contributions not restricted to specific programs	605,002	617,805	(12,803)	-	-	-
Unrestricted investment earnings	33,215	37,074	(3,859)	47,804	62,410	(14,606)
Gain on sale of capital assets	-	2,500	(2,500)	-	-	-
Total Revenues	<u>4,786,523</u>	<u>4,591,439</u>	<u>195,084</u>	<u>6,070,606</u>	<u>6,271,910</u>	<u>(201,304)</u>
Expenses						
General government	765,063	743,942	21,121	-	-	-
Public safety	1,762,192	1,955,754	(193,562)	-	-	-
Public works	1,546,982	1,632,844	(85,862)	-	-	-
Culture and recreation	572,223	513,744	58,479	-	-	-
Economic development	262,028	219,733	42,295	-	-	-
Interest on long-term debt	120,909	149,542	(28,633)	-	-	-
Water	-	-	-	1,023,601	956,289	67,312
Sewer	-	-	-	1,076,496	1,155,284	(78,788)
Storm Water	-	-	-	149,826	160,245	(10,419)
Liquor store	-	-	-	2,477,553	2,324,085	153,468
Total Expenses	<u>5,029,397</u>	<u>5,215,559</u>	<u>(186,162)</u>	<u>4,727,476</u>	<u>4,595,903</u>	<u>131,573</u>
Changes in Net Position Before Transfers	(242,874)	(624,120)	381,246	1,343,130	1,676,007	(332,877)
Transfers - Internal Activities	<u>389,001</u>	<u>369,361</u>	<u>19,640</u>	<u>(389,001)</u>	<u>(369,361)</u>	<u>(19,640)</u>
Change in Net Position	146,127	(254,759)	400,886	954,129	1,306,646	(352,517)
Net Position, January 1	<u>18,040,953</u>	<u>18,295,712</u>	<u>(254,759)</u>	<u>25,217,034</u>	<u>23,910,388</u>	<u>1,306,646</u>
Net Position, December 31	<u>\$ 18,187,080</u>	<u>\$ 18,040,953</u>	<u>\$ 146,127</u>	<u>\$ 26,171,163</u>	<u>\$ 25,217,034</u>	<u>\$ 954,129</u>

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

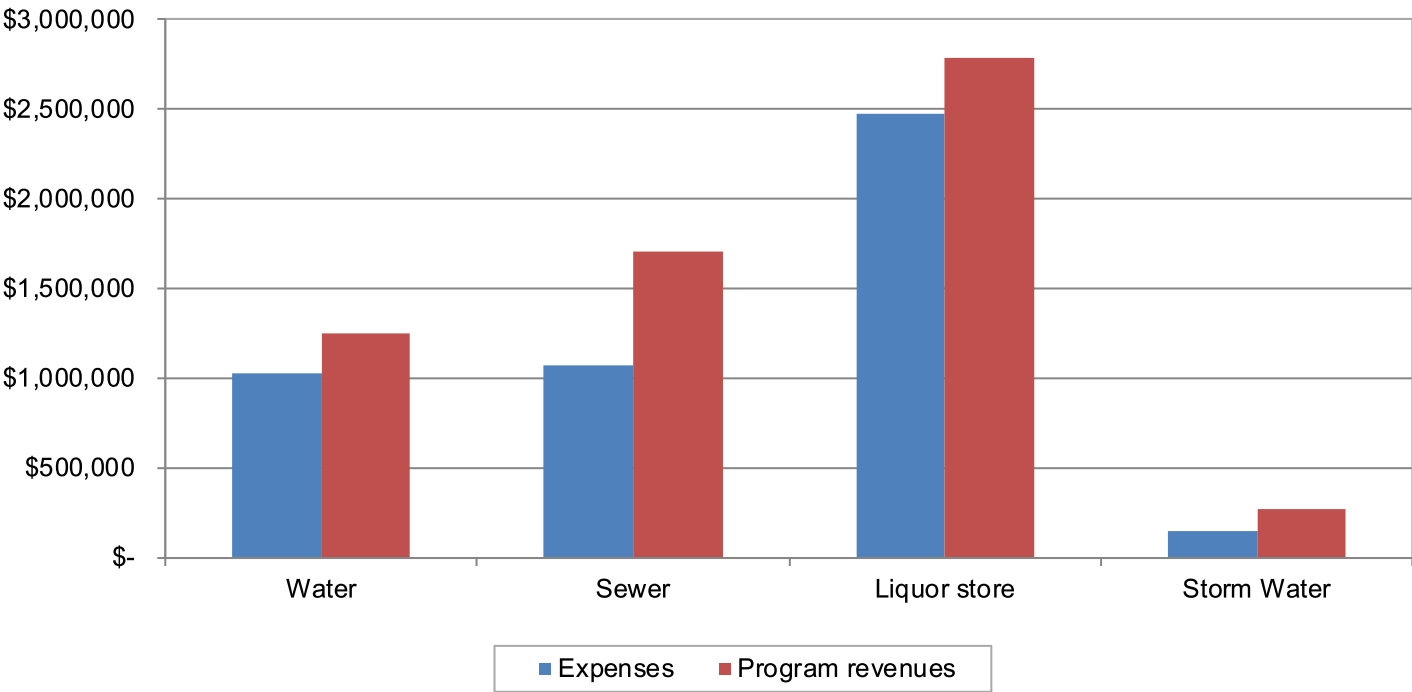


Revenues by Sources - Governmental Activities

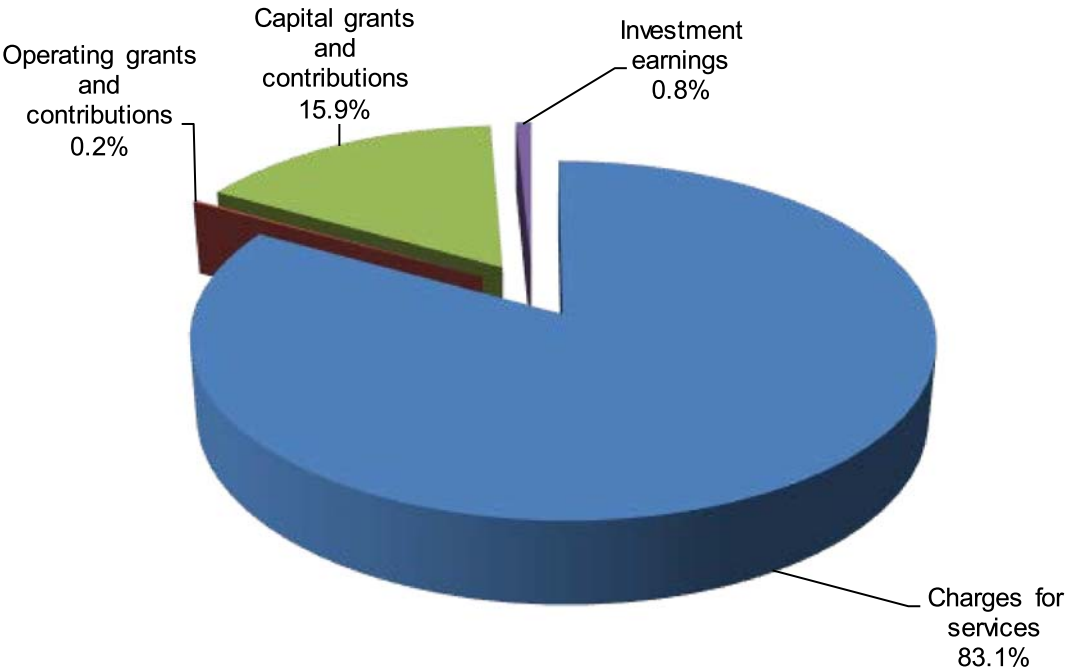


Business-type Activities. Business-type activities increased the City’s net position by \$954,129. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,361,480, a decrease of \$23,909 in comparison with the prior year. Of this total amount, 19.5 percent, or \$851,213, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$3,510,267 is not available for new spending because it is either 1) nonspendable (\$6,201), 2) restricted (\$2,067,560), or 3) committed (\$1,436,506). For further classification, refer to Note 3F on page 66 of this report.

Major funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
General	\$ 2,081,587	\$ 1,697,940	\$ 383,647
The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. Fund balance represents 58 percent of budgeted 2018 expenditures and transfers out. Of the fund balance, \$2,076,561 is unassigned and will be used for cash flow for general operations and will be used to support operations until funds are received in June from the first tax settlement.			
Debt Service	\$ 1,384,791	\$ 1,329,979	\$ 54,812
The Debt Service funds had an increase in fund balance due to an increase in property taxes received for 2017.			
2017 Palomino Road Southeast Improvements	\$ (687,938)	\$ (7,130)	\$ (680,808)
The 2017 Palomino Road Southeast Improvements fund balance decreases due to expenditures relating to the ongoing Palomino Road Project.			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$5,345,662. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's original General fund budget was amended during the year, increasing expenditures \$11,258 and identifying a decrease in fund balance of \$14,253. Revenues were \$259,579 over budget. This is primarily due to licenses and permits being more than budgeted by \$228,430. Expenditures were under budget by \$65,743. The majority of departments were under budget and the largest variance was within the general government department, which was over budget by \$52,026.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2017, amounts to \$48,418,549 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads and highways.

Major capital asset events during the current fiscal year included the following:

- The 2017 Pavement Management Project was completed and capitalized for \$158,771.
- During 2017, the City purchased five new vehicles and disposed of four vehicles.
- The City started the 2017 Palomino Project and is expected to be completed during 2018.
- The Wastewater Treatment Improvement Project is expected to be completed during 2018.

City of Isanti's Capital Asset (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 2,424,266	\$ 2,424,266	\$ -	\$ 94,237	\$ 94,237	\$ -
Construction in Progress	688,270	-	688,270	3,333,909	1,758,147	1,575,762
Land Improvements	6,279	6,279	-	87,660	87,660	-
Buildings	3,794,005	3,937,155	(143,150)	166,537	182,078	(15,541)
Infrastructure	11,488,854	12,387,695	(898,841)	25,169,863	25,997,967	(828,104)
Machinery and Equipment	445,261	513,916	(68,655)	504,028	533,476	(29,448)
Vehicles	152,147	80,359	71,788	63,233	17,900	45,333
Total	<u>\$ 18,999,082</u>	<u>\$ 19,349,670</u>	<u>\$ (350,588)</u>	<u>\$ 29,419,467</u>	<u>\$ 28,671,465</u>	<u>\$ 748,002</u>

Additional information on the City's capital assets can be found in Note 3D starting on page 62 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,014,945. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Isanti's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
G.O. Bonds	\$ 2,585,000	\$ 2,780,000	\$ (195,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	1,735,000	2,110,000	(375,000)	400,000	435,000	(35,000)
G.O. Revenue Bonds	-	-	-	8,294,945	9,260,701	(965,756)
Bond Premium	42,661	46,163	(3,502)	71,545	77,563	(6,018)
Total	<u>\$ 4,362,661</u>	<u>\$ 4,936,163</u>	<u>\$ (573,502)</u>	<u>\$ 8,766,490</u>	<u>\$ 9,773,264</u>	<u>\$ (1,006,774)</u>

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. As of December 31, 2017, the City is under the legal debt margin.

Additional information on the City's long-term debt can be found in Note 3E starting on page 64 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax valuations within the City increased in 2017 and have continued to increase for 2018.
- The 2018 budget includes a property tax levy of \$2,759,731 which is 6.65% greater than the 2017 levy.
- The 2018 budget includes an amount for Local Government Aid in the amount of \$631,808.
- Franchise fees were implemented in 2016 to offset capital improvements, specifically pavement management costs.
- Isanti County has an average unemployment rate for 2017 of 4.5%. This compares with unemployment rates of 3.7% for the State of Minnesota and 4.4% for the United States.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Isanti, 110 1st Avenue Northwest, PO Box 428, Isanti, Minnesota 55040.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Isanti, Minnesota

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 4,062,328	\$ 5,463,774	\$ 9,526,102
Receivables			
Accrued interest	8,248	12,240	20,488
Taxes	114,474	-	114,474
Accounts	117,931	254,308	372,239
Loans	461,395	-	461,395
Special assessments	1,300,949	56,388	1,357,337
Internal balances	(139,966)	139,966	-
Due from other governments	3,273	-	3,273
Inventories	-	302,093	302,093
Prepaid items	6,201	745	6,946
Land held for resale	126,137	-	126,137
Capital assets			
Land and construction in progress	3,112,536	3,428,146	6,540,682
Depreciable assets (net of accumulated depreciation)	15,886,546	25,991,321	41,877,867
Total Assets	25,060,052	35,648,981	60,709,033
Deferred Outflows of Resources			
Deferred pension resources	1,704,525	133,949	1,838,474
Liabilities			
Accounts payable	81,602	62,764	144,366
Due to other governments	1,524	25,558	27,082
Accrued salaries payable	28,511	10,629	39,140
Accrued interest payable	7,426	45,933	53,359
Unearned revenue	6,304	209	6,513
Noncurrent liabilities			
Due within one year	705,838	852,278	1,558,116
Due in more than one year	5,655,976	8,494,192	14,150,168
Total Liabilities	6,487,181	9,491,563	15,978,744
Deferred Inflows of Resources			
Resources received in advance	207,556	-	207,556
Deferred pension resources	1,882,760	120,204	2,002,964
Total Deferred Inflows of Resources	2,090,316	120,204	2,210,520
Net Position			
Net investment in capital assets	14,636,421	20,652,977	35,289,398
Restricted for			
Debt service	2,584,210	172,524	2,756,734
Public safety	3,171	-	3,171
Community center improvements	10,000	-	10,000
Economic development	690,350	-	690,350
Unrestricted	262,928	5,345,662	5,608,590
Total Net Position	\$ 18,187,080	\$ 26,171,163	\$ 44,358,243

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 765,063	\$ 42,037	\$ -	\$ -
Public safety	1,762,192	452,042	93,267	-
Public works	1,546,982	31,211	58,734	384,910
Culture and recreation	572,223	92,892	24,650	28,350
Economic development	262,028	3,391	13,617	-
Interest on long-term debt	120,909	-	-	-
Total Governmental Activities	<u>5,029,397</u>	<u>621,573</u>	<u>190,268</u>	<u>413,260</u>
Business-type Activities				
Water	1,023,601	885,168	9,627	360,480
Sewer	1,076,496	1,100,705	1,621	604,089
Liquor store	2,477,553	2,787,316	885	-
Stormwater	149,826	272,911	-	-
Total Business-type Activities	<u>4,727,476</u>	<u>5,046,100</u>	<u>12,133</u>	<u>964,569</u>
Total	<u>\$ 9,756,873</u>	<u>\$ 5,667,673</u>	<u>\$ 202,401</u>	<u>\$ 1,377,829</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (723,026)	\$ -	\$ (723,026)
(1,216,883)	-	(1,216,883)
(1,072,127)	-	(1,072,127)
(426,331)	-	(426,331)
(245,020)	-	(245,020)
(120,909)	-	(120,909)
<u>(3,804,296)</u>	<u>-</u>	<u>(3,804,296)</u>
-	231,674	231,674
-	629,919	629,919
-	310,648	310,648
-	123,085	123,085
<u>-</u>	<u>1,295,326</u>	<u>1,295,326</u>
<u>(3,804,296)</u>	<u>1,295,326</u>	<u>(2,508,970)</u>
2,012,051	-	2,012,051
578,475	-	578,475
19,403	-	19,403
313,276	-	313,276
605,002	-	605,002
33,215	47,804	81,019
389,001	(389,001)	-
<u>3,950,423</u>	<u>(341,197)</u>	<u>3,609,226</u>
146,127	954,129	1,100,256
<u>18,040,953</u>	<u>25,217,034</u>	<u>43,257,987</u>
<u>\$ 18,187,080</u>	<u>\$ 26,171,163</u>	<u>\$ 44,358,243</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Isanti, Minnesota

Balance Sheet
Governmental Funds
December 31, 2017

	101	900's	441		
	General	Debt Service	2017 Palomino Road Southeast Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 2,061,315	\$ 1,382,806	\$ (658,634)	\$ 1,276,841	\$ 4,062,328
Receivables					
Accrued interest	5,028	3,130	(1,528)	1,618	8,248
Taxes	93,722	-	-	20,752	114,474
Accounts	37,552	-	-	80,379	117,931
Loan	-	-	-	461,395	461,395
Special assessments	3,706	1,207,201	69,262	20,780	1,300,949
Due from other governments	3,273	-	-	-	3,273
Advances to other funds	25,060	-	-	-	25,060
Prepaid items	5,056	-	-	1,145	6,201
Land held for resale	107,237	-	-	18,900	126,137
Total Assets	\$ 2,341,949	\$ 2,593,137	\$ (590,900)	\$ 1,881,810	\$ 6,225,996
Liabilities					
Accounts payable	\$ 29,302	\$ 1,501	\$ 27,776	\$ 23,023	\$ 81,602
Due to other governments	1,524	-	-	-	1,524
Accrued salaries payable	26,912	-	-	1,599	28,511
Advances from other funds	139,966	-	-	25,060	165,026
Unearned revenue	6,304	-	-	-	6,304
Total Liabilities	204,008	1,501	27,776	49,682	282,967
Deferred Inflows of Resources					
Unavailable revenue - delinquent taxes	52,788	-	-	20,752	73,540
Unavailable revenue - special assessments	3,566	1,206,845	69,262	20,780	1,300,453
Resources received in advance	-	-	-	207,556	207,556
Total Deferred Inflows of Resources	56,354	1,206,845	69,262	249,088	1,581,549
Fund Balances					
Nonspendable	5,056	-	-	1,145	6,201
Restricted	-	1,384,791	-	682,769	2,067,560
Committed	-	-	-	1,436,506	1,436,506
Unassigned	2,076,531	-	(687,938)	(537,380)	851,213
Total Fund Balances	2,081,587	1,384,791	(687,938)	1,583,040	4,361,480
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,341,949	\$ 2,593,137	\$ (590,900)	\$ 1,881,810	\$ 6,225,996

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2017

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 4,361,480
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	33,785,423
Less: accumulated depreciation	(14,786,341)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(4,320,000)
Plus bond premium	(42,661)
Compensated absences payable	(199,789)
Pension liability	(1,799,364)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	73,540
Special assessments receivable	1,300,453
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,704,525
Deferred inflows of pension resources	(1,882,760)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(7,426)</u>
Total Net Position - Governmental Activities	<u><u>\$ 18,187,080</u></u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	101	900's	441		
	General	Debt Service	2017 Palomino Road Southeast Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,018,262	\$ 578,475	\$ -	\$ 332,679	\$ 2,929,416
Licenses and permits	361,430	-	-	-	361,430
Intergovernmental	731,449	-	-	176,203	907,652
Charges for services	205,370	-	-	31,741	237,111
Fines and forfeitures	47,217	-	-	5,065	52,282
Special assessments	-	127,549	16,491	3,171	147,211
Investment earnings (loss)	13,640	10,313	(1,904)	11,166	33,215
Miscellaneous	15,970	-	-	86,637	102,607
Total Revenues	<u>3,393,338</u>	<u>716,337</u>	<u>14,587</u>	<u>646,662</u>	<u>4,770,924</u>
Expenditures					
Current					
General government	682,050	-	-	1,500	683,550
Public safety	1,656,388	-	-	11,389	1,667,777
Public works	452,609	-	-	-	452,609
Culture and recreation	320,634	-	-	34,629	355,263
Economic development	5,084	-	-	243,335	248,419
Capital outlay					
General government	3,801	-	-	5,324	9,125
Public safety	62,523	-	-	-	62,523
Public works	30,593	-	695,395	213,464	939,452
Culture and recreation	43,831	-	-	7,500	51,331
Economic development	-	-	-	12,298	12,298
Debt service					
Principal	-	570,000	-	-	570,000
Interest and other	961	130,526	-	-	131,487
Total Expenditures	<u>3,258,474</u>	<u>700,526</u>	<u>695,395</u>	<u>529,439</u>	<u>5,183,834</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>134,864</u>	<u>15,811</u>	<u>(680,808)</u>	<u>117,223</u>	<u>(412,910)</u>
Other Financing Sources (Uses)					
Transfers in	396,183	39,001	-	533,927	969,111
Transfers out	(147,400)	-	-	(432,710)	(580,110)
Total Other Financing Sources (Uses)	<u>248,783</u>	<u>39,001</u>	<u>-</u>	<u>101,217</u>	<u>389,001</u>
Net Change in Fund Balances	383,647	54,812	(680,808)	218,440	(23,909)
Fund Balances, January 1	<u>1,697,940</u>	<u>1,329,979</u>	<u>(7,130)</u>	<u>1,364,600</u>	<u>4,385,389</u>
Fund Balances, December 31	<u>\$ 2,081,587</u>	<u>\$ 1,384,791</u>	<u>\$ (687,938)</u>	<u>\$ 1,583,040</u>	<u>\$ 4,361,480</u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ (23,909)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	976,649
Depreciation expense	(1,331,237)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Gain on trade in	4,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayments	570,000
Amortization of bond premium	3,502
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	7,076
Long-term pension activity is not reported in governmental funds.	
Pension expense	(91,551)
Pension revenue from state contributions	6,300
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(6,211)
Special assessments	15,510
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	15,998
Change in Net Position - Governmental Activities	<u>\$ 146,127</u>

The notes to the financial statements are an integral part of this statement.

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City of Isanti, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,009,086	\$ 2,009,086	\$ 2,018,262	\$ 9,176
Licenses and permits	133,000	133,000	361,430	228,430
Intergovernmental	718,523	718,523	731,449	12,926
Charges for services	189,850	189,850	205,370	15,520
Fines and forfeitures	32,300	32,300	47,217	14,917
Investment earnings	25,000	25,000	13,640	(11,360)
Miscellaneous	26,000	26,000	15,970	(10,030)
Total Revenues	<u>3,133,759</u>	<u>3,133,759</u>	<u>3,393,338</u>	<u>259,579</u>
Expenditures				
Current				
General government	630,024	630,024	682,050	(52,026)
Public safety	1,680,508	1,680,508	1,656,388	24,120
Public works	482,134	482,134	452,609	29,525
Culture and recreation	334,637	345,895	320,634	25,261
Economic development	9,920	9,920	5,084	4,836
Capital outlay	175,736	175,736	140,748	34,988
Debt service				
Interest and other	-	-	961	(961)
Total Expenditures	<u>3,312,959</u>	<u>3,324,217</u>	<u>3,258,474</u>	<u>65,743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(179,200)</u>	<u>(190,458)</u>	<u>134,864</u>	<u>325,322</u>
Other Financing Sources (Uses)				
Transfers in	369,150	369,150	396,183	27,033
Transfers out	<u>(144,405)</u>	<u>(147,400)</u>	<u>(147,400)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>224,745</u>	<u>221,750</u>	<u>248,783</u>	<u>27,033</u>
Net Change in Fund Balances	45,545	31,292	383,647	352,355
Fund Balances, January 1	<u>1,697,940</u>	<u>1,697,940</u>	<u>1,697,940</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,743,485</u>	<u>\$ 1,729,232</u>	<u>\$ 2,081,587</u>	<u>\$ 352,355</u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds				
	601 Water	439, 602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	Total
Assets					
Current Assets					
Cash and temporary investments	\$ 2,096,839	\$ 2,625,962	\$ 598,083	\$ 142,890	\$ 5,463,774
Receivables					
Accrued interest	4,589	5,723	1,597	331	12,240
Accounts	98,236	127,255	676	28,141	254,308
Special assessments	4,787	1,291	-	5,973	12,051
Inventories	-	-	302,093	-	302,093
Prepaid items	45	505	150	45	745
Total Current Assets	2,204,496	2,760,736	902,599	177,380	6,045,211
Noncurrent Assets					
Special assessments receivable	-	44,337	-	-	44,337
Advances to other funds	6,359	26,370	107,237	-	139,966
Capital assets					
Land	11,078	5,000	57,159	21,000	94,237
Construction in progress	-	3,333,909	-	-	3,333,909
Buildings	37,156	-	337,305	-	374,461
Improvements other than buildings	-	-	268,238	-	268,238
Machinery and equipment	533,079	300,780	41,357	290,601	1,165,817
Infrastructure	14,607,138	19,749,269	-	323,455	34,679,862
Less accumulated depreciation	(3,841,067)	(6,131,996)	(420,306)	(103,688)	(10,497,057)
Total Capital Assets	11,347,384	17,256,962	283,753	531,368	29,419,467
(Net of Accumulated Depreciation)					
Total Noncurrent Assets	11,353,743	17,327,669	390,990	531,368	29,603,770
Total Assets	13,558,239	20,088,405	1,293,589	708,748	35,648,981
Deferred Outflows of Resources					
Deferred pension resources	32,392	42,187	51,577	7,793	133,949

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds				
	601	439, 602	609	Nonmajor 603	
	Water	Sewer	Liquor Store	Storm Water	Total
Liabilities					
Current Liabilities					
Accounts payable	\$ 3,398	\$ 13,025	\$ 46,237	\$ 104	\$ 62,764
Due to other governments	1,202	-	24,356	-	25,558
Accrued salaries payable	2,318	3,062	4,496	753	10,629
Accrued interest payable	40,659	5,274	-	-	45,933
Unearned revenue	-	-	209	-	209
Current portion of compensated absences payable	9,665	13,315	13,997	3,412	40,389
Current portion of bonds payable	383,000	428,889	-	-	811,889
Total Current Liabilities	440,242	463,565	89,295	4,269	997,371
Noncurrent Liabilities					
Compensated absences payable	3,576	4,926	5,178	1,262	14,942
Pension liability	126,873	165,237	202,014	30,525	524,649
Bonds payable	4,398,056	3,556,545	-	-	7,954,601
Total Noncurrent Liabilities	4,528,505	3,726,708	207,192	31,787	8,494,192
Total Liabilities	4,968,747	4,190,273	296,487	36,056	9,491,563
Deferred Inflows of Resources					
Deferred pension resources	29,068	37,858	46,284	6,994	120,204
Net Position					
Net investment in capital assets	6,566,328	13,271,528	283,753	531,368	20,652,977
Restricted for debt service	-	172,524	-	-	172,524
Unrestricted	2,026,488	2,458,409	718,642	142,123	5,345,662
Total Net Position	\$ 8,592,816	\$ 15,902,461	\$ 1,002,395	\$ 673,491	\$ 26,171,163

The notes to the financial statements are an integral part of this statement.

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City of Isanti, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				
	601	439, 602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 2,787,316	\$ -	\$ 2,787,316
Cost of sales	-	-	(2,021,151)	-	(2,021,151)
Gross Profit	-	-	766,165	-	766,165
Charges for services	885,533	1,100,652	-	272,806	2,258,991
Total Operating Revenues	885,533	1,100,652	766,165	272,806	3,025,156
Operating Expenses					
Personnel services	203,342	272,629	347,780	47,076	870,827
Supplies	85,539	74,502	4,874	3,916	168,831
Professional services	56,588	33,682	9,182	33,149	132,601
Communications	3,668	3,075	1,676	(553)	7,866
Insurance	17,138	17,506	6,791	1,145	42,580
Utilities	57,900	78,524	12,506	3,653	152,583
Repairs and maintenance	80,479	42,262	4,419	21,024	148,184
Depreciation	379,418	477,075	20,662	40,416	917,571
Other	-	-	48,512	-	48,512
Total Operating Expenses	884,072	999,255	456,402	149,826	2,489,555
Operating Income	1,461	101,397	309,763	122,980	535,601
Nonoperating Revenues (Expenses)					
Other revenues	9,627	1,621	885	105	12,238
Investment earnings	18,195	22,929	5,794	886	47,804
Interest expense and other	(139,529)	(77,241)	-	-	(216,770)
Total Nonoperating Revenues (Expenses)	(111,707)	(52,691)	6,679	991	(156,728)
Income (Loss) Before Contributions and Transfers	(110,246)	48,706	316,442	123,971	378,873
Capital Contributions	360,115	604,142	-	-	964,257
Transfers Out	(4,333)	(34,668)	(350,000)	-	(389,001)
Change in Net Position	245,536	618,180	(33,558)	123,971	954,129
Net Position, January 1	8,347,280	15,284,281	1,035,953	549,520	25,217,034
Net Position, December 31	\$ 8,592,816	\$ 15,902,461	\$ 1,002,395	\$ 673,491	\$ 26,171,163

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Total
	601 Water	439, 602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 900,267	\$ 1,145,447	\$ 2,786,640	\$ 270,226	\$ 5,102,580
Other receipts	9,627	1,621	885	105	12,238
Payments to suppliers	(302,554)	(252,248)	(2,118,283)	(65,808)	(2,738,893)
Payments to employees	(197,380)	(258,191)	(308,445)	(46,051)	(810,067)
Net Cash Provided by Operating Activities	409,960	636,629	360,797	158,472	1,565,858
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	1,589	11,131	-	-	12,720
Advance to other fund	-	-	(107,237)	-	(107,237)
Transfers to other funds	(4,333)	(34,668)	(350,000)	-	(389,001)
Net Cash Used by Noncapital Financing Activities	(2,744)	(23,537)	(457,237)	-	(483,518)
Cash Flows from Capital and Related Financing Activities					
Connection fees received	360,115	430,249	-	-	790,364
Acquisition of capital assets	(58,198)	(1,756,925)	-	-	(1,815,123)
Interest paid on bonds	(142,673)	(87,094)	-	-	(229,767)
Principal paid on bonds	(380,000)	(446,863)	-	-	(826,863)
Net Cash Used by Capital and Related Financing Activities	(220,756)	(1,860,633)	-	-	(2,081,389)
Cash Flows from Investing Activities					
Investment received	16,606	23,308	5,268	536	45,718
Net Increase (Decrease) in Cash and Cash Equivalents	203,066	(1,224,233)	(91,172)	159,008	(953,331)
Cash and Cash Equivalents, January 1	1,893,773	3,850,195	689,255	(16,118)	6,417,105
Cash and Cash Equivalents, December 31	<u>\$ 2,096,839</u>	<u>\$ 2,625,962</u>	<u>\$ 598,083</u>	<u>\$ 142,890</u>	<u>\$ 5,463,774</u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Total
	601 Water	439, 602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating income	\$ 1,461	\$ 101,397	\$ 309,763	\$ 122,980	\$ 535,601
Adjustments to reconcile operating income to					
net cash provided by operating activities					
Depreciation	379,418	477,075	20,662	40,416	917,571
Other receipts	9,627	1,621	885	105	12,238
(Increase) decrease in assets					
Accounts receivable	12,938	42,156	(676)	925	55,343
Special assessments	1,796	2,639	-	(3,505)	930
Inventories	-	-	(19,060)	-	(19,060)
Prepaid items	989	585	1,112	14	2,700
(Increase) in deferred outflows of resources					
Deferred pension resources	23,878	27,749	26,048	6,429	84,104
Increase (decrease) in liabilities					
Accounts payable	(3,433)	(3,282)	6,874	(3,488)	(3,329)
Due to other governments	1,202	-	1,693	-	2,895
Accrued salaries payable	209	158	566	360	1,293
Compensated absences payable	(1,034)	(1,509)	3,121	449	1,027
Unearned revenue	-	-	209	-	209
Pension liability	(29,524)	(29,143)	(13,736)	(9,003)	(81,406)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	12,433	17,183	23,336	2,790	55,742
Net Cash Provided					
by Operating Activities	<u>\$ 409,960</u>	<u>\$ 636,629</u>	<u>\$ 360,797</u>	<u>\$ 158,472</u>	<u>\$ 1,565,858</u>
Schedule of Noncash Capital and					
Related Financing Activities					
Forgiveness of loan principal	\$ -	\$ 173,893	\$ -	\$ -	\$ 173,893
Amortiation of bond premium	-	6,018	-	-	6,018

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2017

	Agency
	505
	Escrow
Assets	
Cash and temporary investments	\$ 62,852
Accounts receivable	<u>1,387</u>
Total Assets	<u><u>\$ 64,239</u></u>
Liabilities	
Accounts payable	<u><u>\$ 64,239</u></u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Isanti, Minnesota (the City) operates under “Optional Plan A” form of government as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these units are combined with data of the City. The City has the following component unit:

Blended Component Unit. The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The City has the authority to approve and modify the EDA’s budget, and the City Council has the ability to veto, overrule, or modify the decisions of the EDA Board of Commissioners. The EDA is governed by a total of seven commissioners, two of which are residents and five are City Council members. The EDA activities are blended and reported as a special revenue fund due to substantively the same governing board and due to the City having operation responsibility. Separate financial statements are not issued for this component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Debt Service funds* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *2017 Palomino Road Southeast Improvements fund* is a capital project fund that accounts for improvement revenues and expenditures set aside for capital improvements.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and ensure that user charges are sufficient to pay for those costs.

The *Liquor Store fund* accounts for the costs associated with the City's liquor operations.

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Fiduciary fund accounts for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. It is the City's policy to refrain from investing in banks, savings and loan associations or credit unions whose equity to asset ratio is less than 10 percent. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 59.

The City has the following recurring fair value measurements as of December 31, 2017:

- US Treasury securities of \$782,489 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$4,105,821 are valued using a matrix pricing model (Level 2 inputs)

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2017. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All special assessments receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items

Inventories are valued at lower of cost or market, using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Land Held for Resale

Land held for resale is valued at the lower of the cost or the market value of the property.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and Structures	40
Infrastructure	10 to 50
Furniture and Equipment	3 to 20
Improvements other than Buildings	10 to 20

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which is paid to the employee upon separation. A portion of unused sick leave may also be paid upon separation from City service. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, *unavailable revenue* and *resources received in advance*, and *deferred pension resources*.

- *Unavailable revenue* arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- *Resources received in advance* is reported in both the governmental fund financial statements and within the government-wide financial statements. This item is reported for amounts that have been received before time requirements are met, but after all other eligibility requirements have been met.
- *Deferred pension resources* is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of the following year's budgeted expenditures and transfers out.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the following funds:

- General
- Economic Development Authority
- Water
- Sewer
- Storm Water
- Liquor

All annual appropriations lapse at year end. The City does not use encumbrance accounting.

In May of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The original budget was amended in 2017 to increase expenditures \$11,258 for a total budgeted decrease in fund balance of \$14,253.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Deficit Fund Equity

The following funds had deficit fund equity at December 31, 2017.

Fund	Amount
Major	
2017 Palomino Road Street Southeast Improvements	\$ 687,938
Nonmajor	
Economic Development Authority	8,914
Park	67,262
2013 Railroad Avenue & Walk Improvements	202,959
BMX & Bluebird Improvements	-
Public Works 2014 Site Improvements	5,819
City Parking Improvements	74,554

These deficits will be eliminated with future state aid, franchise taxes, and transfers from other funds.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks. 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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully 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. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$4,011,057 and the bank balance was \$4,458,891. Of the bank balance, \$360,918 was covered by federal depository insurance and \$2,034 was covered by the national credit union share insurance fund. The remaining balance was covered by collateral held by the City's agent in the City's name.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Investments

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 provided by various credit rating agencies where applicable indicate associated credit risk. The City's investments in Government Agencies are fully backed by the U.S. Government and are rated AAA.
- *Custodial Credit Risk* for investments is the risk that, in the event of the 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 limits its exposure to custodial credit risk by purchasing insured or registered investments.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Using the segmented time distribution method, the interest rate risk of these investments ranges from less than 6 months to more than 3 years.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. The City has invested more than 5 percent of investments in the following issuer: Federal Home Loan Bank System - 14.1 percent.

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Markets	N/A	less than 6 months	<u>\$ 686,637</u>			
Non-pooled Investments at Fair Value						
Negotiable CDs		less than 6 months	491,883	\$ -	\$ 491,883	\$ -
Negotiable CDs	N/A	6 months to 1 year	490,478	-	490,478	-
Negotiable CDs	N/A	1 to 3 years	1,370,352	-	1,370,352	-
Negotiable CDs	N/A	more than 3 years	1,753,108	-	1,753,108	-
U.S. Government Agency Securitie	Aaa	more than 3 years	<u>782,489</u>	<u>782,489</u>	<u>-</u>	<u>-</u>
Total Investments			<u>\$ 5,574,947</u>	<u>\$ 782,489</u>	<u>\$ 4,105,821</u>	<u>\$ -</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

	Primary Government	Agency Fund	Totals
Carrying Amount of Deposits	\$ 3,948,205	\$ 62,852	\$ 4,011,057
Investments	5,574,947	-	5,574,947
Cash on Hand	2,950	-	2,950
	<u>\$ 9,526,102</u>	<u>\$ 62,852</u>	<u>\$ 9,588,954</u>
Total	<u>\$ 9,526,102</u>	<u>\$ 62,852</u>	<u>\$ 9,588,954</u>
Cash and Temporary Investments			
Unrestricted	<u>\$ 9,526,102</u>	<u>\$ 62,852</u>	<u>\$ 9,588,954</u>

B. Loans Receivables

In 2008, the City's Revolving Loan fund loaned \$194,000 to EverCat Fuels for 10 years at 3 percent interest. The monthly payment is \$1,873 with the final payment being due in 2018. The loan was originated through the Minnesota Investment Fund and the City has agreed to remit 80 percent of the loan received back to the state. As of December 31, 2017, the loan receivable was \$16,650.

In 2011, the City's Revolving Loan fund loaned \$50,000 to H.M. Chris, LLC for 10 years at 3 percent interest. The monthly payment is \$529. As of December 31, 2017, the loan receivable was \$20,584.

In 2012, the City's Revolving Loan fund loaned \$22,500 to K & D Investments for 10 years at 3 percent interest. The monthly payment is \$298. As of December 31, 2017, the loan receivable was \$5,480.

In 2013, the City's Revolving Loan fund loaned \$25,000 to JAC Properties for 7 years at 3 percent interest. The monthly payment is \$331. The loan was paid off in 2017.

In 2013, the City's Revolving Loan fund loaned \$25,000 to the Isanti Parkway Center for 7 years at 3 percent interest. The monthly payment is \$331. As of December 31, 2017, the loan receivable was \$9,840.

In 2015, the City's Revolving Loan fund loaned \$17,500 to Mom's Food Co-op Inc. for 5 years at 3 percent interest. The monthly payment is \$315. As of December 31, 2017, the loan receivable was \$7,612.

In 2015, the City's Revolving Loan fund loaned \$427,000 to Mom's Food Co-op Inc. for 7 years at zero percent interest. The monthly payment is \$321. As of December 31, 2017, the loan receivable was \$389,167.

In 2016, the City's Revolving Loan fund loaned \$15,000 to RPF, LLC for 7 years at 3 percent interest. The monthly payment is \$199. As of December 31, 2017, the loan receivable was \$12,062.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

In 2009, the Sewer enterprise fund advanced funds to the General fund to cover the City portion of the 2009 Street Improvements. Future General fund property tax levies will be utilized to repay the advance. Repayments will include interest of 3.25 percent. An additional \$23,274 was borrowed between the funds in 2010. The outstanding balance at December 31, 2017 is \$20,012.

In 2011, the Water and Sewer enterprise funds each loaned \$15,897 to the General fund to cover the City portion of the Deer Haven Improvements. General fund property tax levies will be utilized to repay these advances. Repayments are interest free. The outstanding balance at December 31, 2017 is \$12,717.

In 2016, the General fund loaned \$25,060 to the TIF 9 nonmajor governmental fund to cover demolition costs. Future tax increment or land sale proceeds will be utilized to repay these advances. Repayments are interest free. The outstanding balance at December 31, 2017 is \$25,060.

In 2017, the Liquor fund loaned \$107,237 to the General fund to cover land purchase costs. Future land sale proceeds will be utilized to repay these advances. Repayments are interest free. The outstanding balance at December 31, 2017 is \$107,237.

Interfund Transfers

The following interfund transfers were made during 2017:

Fund	Transfer in			
	General	Debt Service	Nonmajor Governmental	Total
Transfer Out				
General	\$ -	\$ -	\$ 147,400	\$ 147,400
Nonmajor Governmental	46,183	-	386,527	432,710
Water	-	4,333	-	4,333
Sewer	-	34,668	-	34,668
Liquor Store	350,000	-	-	350,000
Total Transfers In	<u>\$ 396,183</u>	<u>\$ 39,001</u>	<u>\$ 533,927</u>	<u>\$ 969,111</u>

During the year, transfers are used to 1) move General fund resources to other funds to cover interfund loan payments, 2) move General fund resources to provide an annual contribution for economic development, 3) transfer water and sewer resources to cover a portion of debt payments and 4) move liquor store resources to the General fund for operations. Further, during the year ended December 31, 2017, the City made the following one-time transfer:

- 1) Transfers of \$238,192 from nonmajor governmental funds to nonmajor governmental funds to provide funding for the 2017 pavement management project to come from utility franchise fees.
- 2) Transfers of \$148,335 from nonmajor governmental funds to nonmajor governmental funds to fund costs associated with the maintenance of the indoor arena.
- 3) Transfers of \$27,032 from nonmajor governmental funds to the General fund to fund costs associated with the maintenance of the indoor arena.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 2,424,266	\$ -	\$ -	\$ 2,424,266
Construction in progress	-	688,270	-	688,270
Total Capital Assets not being Depreciated	<u>2,424,266</u>	<u>688,270</u>	<u>-</u>	<u>3,112,536</u>
Capital Assets, being Depreciated				
Land improvements	440,300	-	-	440,300
Buildings	5,616,339	-	-	5,616,339
Infrastructure	22,665,283	197,928	-	22,863,211
Machinery and equipment	1,355,549	-	-	1,355,549
Vehicles	339,713	94,451	(36,676)	397,488
Total Capital Assets being Depreciated	<u>30,417,184</u>	<u>292,379</u>	<u>(36,676)</u>	<u>30,672,887</u>
Less Accumulated Depreciation for				
Land improvements	(434,021)	-	-	(434,021)
Buildings	(1,679,184)	(143,150)	-	(1,822,334)
Infrastructure	(10,277,588)	(1,096,769)	-	(11,374,357)
Machinery and equipment	(841,633)	(68,655)	-	(910,288)
Vehicles	(259,354)	(22,663)	36,676	(245,341)
Total Accumulated Depreciation	<u>(13,491,780)</u>	<u>(1,331,237)</u>	<u>36,676</u>	<u>(14,786,341)</u>
Total Capital Assets being Depreciated, Net	<u>16,925,404</u>	<u>(1,038,858)</u>	<u>-</u>	<u>15,886,546</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,349,670</u>	<u>\$ (350,588)</u>	<u>\$ -</u>	<u>\$ 18,999,082</u>

Depreciation expense was charged to functions of the governmental activities as follows:

General Government	\$ 74,756
Public Safety	24,967
Public Works	1,050,989
Culture and Recreation	<u>180,525</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,331,237</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 94,237	\$ -	\$ -	\$ 94,237
Construction in progress	1,758,147	1,575,762	-	3,333,909
Total Capital Assets not being Depreciated	<u>1,852,384</u>	<u>1,575,762</u>	<u>-</u>	<u>3,428,146</u>
Capital Assets being Depreciated				
Land improvements	268,238	-	-	268,238
Buildings	374,461	-	-	374,461
Infrastructure	34,679,862	-	-	34,679,862
Machinery and equipment	1,032,893	41,985	-	1,074,878
Vehicles	43,113	47,826	-	90,939
Total Capital Assets being Depreciated	<u>36,398,567</u>	<u>89,811</u>	<u>-</u>	<u>36,488,378</u>
Less Accumulated Depreciation for				
Land improvements	(180,578)	-	-	(180,578)
Buildings	(192,383)	(15,541)	-	(207,924)
Infrastructure	(8,681,895)	(828,104)	-	(9,509,999)
Machinery and equipment	(499,417)	(71,433)	-	(570,850)
Vehicles	(25,213)	(2,493)	-	(27,706)
Total Accumulated Depreciation	<u>(9,579,486)</u>	<u>(917,571)</u>	<u>-</u>	<u>(10,497,057)</u>
Total Capital Assets being Depreciated, Net	<u>26,819,081</u>	<u>(827,760)</u>	<u>-</u>	<u>25,991,321</u>
Business-type Activities Capital Assets, Net	<u>\$ 28,671,465</u>	<u>\$ 748,002</u>	<u>\$ -</u>	<u>\$ 29,419,467</u>

Depreciation expense was charged to programs of the business-type activities as follows:

Water	\$ 379,418
Sewer	477,075
Storm Water	40,416
Liquor Store	<u>20,662</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 917,571</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

As of December 31, 2017, the City has a signed contract in place for the following construction projects. The following summarizes those commitments:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Waste Water Treatment Plant Improvement	\$ 2,917,752	\$ 24,648
2017 Palomino	<u>516,880</u>	<u>74,433</u>
	<u><u>\$ 3,434,632</u></u>	<u><u>\$ 99,081</u></u>

E. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both general government and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund G.O. bonds.

G.O. bonds are direct obligations and pledge the full faith and credit of the government. G.O. bonds currently outstanding are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Tax Abatement					
Bonds, Series 2014A	\$ 2,560,000	0.50-2.50 %	10/01/14	02/01/30	\$ 2,275,000
G.O. Bonds, Series 2014B	1,420,000	0.50-2.50	10/01/14	02/01/24	<u>310,000</u>
Total G.O. Bonds					<u><u>\$ 2,585,000</u></u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 195,000	\$ 30,416	\$ 225,416
2019	200,000	59,013	259,013
2020	205,000	55,266	260,266
2021	210,000	51,319	261,319
2022	210,000	47,220	257,220
2023-2027	965,000	161,719	1,126,719
2028-2030	<u>600,000</u>	<u>30,250</u>	<u>630,250</u>
Total	<u><u>\$ 2,585,000</u></u>	<u><u>\$ 435,203</u></u>	<u><u>\$ 3,020,203</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds and enterprise G.O. improvement bonds are expected to require over 87 and 51 percent of net revenues from the Water and Sewer funds, respectively. Principal and interest paid for 2017 and total customer net revenues for the Water fund were \$522,673 and \$885,533, respectively. Principal and interest paid for 2017 and total customer net revenues for the Sewer fund were \$533,957 and \$1,100,652 respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA - Sewer Revenue Bonds, Series 1996A	\$ 3,477,855	- %	10/17/96	08/20/18	\$ 173,889
MPFA - Water Revenue Bonds, Series 2007A	965,000	2.63	07/10/08	08/20/26	520,000
MPFA - Water Revenue Bonds, Series 2008	4,975,427	3.04	10/07/08	08/20/28	3,199,056
G.O. Crossover Refunding Bonds, Series 2009A	510,000	1.75-3.50	02/26/09	12/01/19	110,000
G.O. Utility Revenue Bonds, Series 2010A	835,000	2.00-3.70	07/01/10	12/01/24	420,000
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	502,000
G.O. Utility Revenue Bonds, Series 2014B	1,030,000	0.50-2.50	10/01/14	02/01/25	845,000
MPFA-Sewer Revenue Bonds, Series 2016A	2,525,000	2.00	07/15/16	12/01/29	<u>2,525,000</u>
Total G.O. Revenue Bonds					<u>\$ 8,294,945</u>

- The 1996A Bonds are forgivable due to provisions of an agreement with the State of Minnesota. The forgiveness is recognized annually as each installment is due. The total forgiven in 2017 was \$173,893.

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2018	\$ 781,889	\$ 194,548	\$ 976,437
2019	623,000	186,687	809,687
2020	728,000	170,504	898,504
2021	753,000	152,684	905,684
2022	774,000	133,922	907,922
2023-2027	3,630,000	374,683	4,004,683
2028-2031	<u>1,005,056</u>	<u>31,655</u>	<u>1,036,711</u>
Total	<u>\$ 8,294,945</u>	<u>\$ 1,244,683</u>	<u>\$ 9,539,628</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

G.O. Improvement (Special Assessment) Bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and/or ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments. The business-type bonds will be repaid from special assessments and future net revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds, Series 2008A	\$ 1,275,000	2.50-4.25 %	12/23/08	12/01/18	\$ 90,000
G.O. Improvement Refunding					
Bonds, Series 2010B	1,825,000	2.00-3.20	12/01/10	12/01/21	1,225,000
G.O. Improvement					
Bonds, Series 2011A	790,000	0.60-2.70	09/29/11	02/01/22	420,000
G.O. Refunding					
Bonds, Series 2013A	2,160,000	0.35-2.50	02/01/13	12/01/28	400,000
Total G.O. Improvement Bonds					<u>\$ 2,135,000</u>

Annual debt service requirements to maturity for the G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 365,000	\$ 49,053	\$ 414,053	\$ 30,000	\$ 7,640	\$ 37,640
2019	370,000	38,753	408,753	35,000	7,340	42,340
2020	450,000	28,631	478,631	35,000	6,990	41,990
2021	460,000	15,578	475,578	35,000	6,430	41,430
2022	90,000	1,214	91,214	35,000	5,870	40,870
2023-2027	-	-	-	190,000	18,515	208,515
2028	-	-	-	40,000	1,000	41,000
Total	<u>\$ 1,735,000</u>	<u>\$ 133,229</u>	<u>\$ 1,868,229</u>	<u>\$ 400,000</u>	<u>\$ 53,785</u>	<u>\$ 453,785</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 2,780,000	\$ -	\$ (195,000)	\$ 2,585,000	\$ 195,000
G.O. improvement bonds	2,110,000	-	(375,000)	1,735,000	365,000
Unamortized premium on bonds	46,163	-	(3,502)	42,661	-
Total bonds payable	4,936,163	-	(573,502)	4,362,661	560,000
Pension Liability					
GERF	1,107,161	104,244	(357,124)	854,281	-
PEPFF	2,648,695	299,400	(2,003,012)	945,083	-
Compensated Absences Payable	215,787	183,887	(199,885)	199,789	145,838
Governmental Activities Long-term Liabilities	<u>\$ 8,907,806</u>	<u>\$ 587,531</u>	<u>\$ (3,133,523)</u>	<u>\$ 6,361,814</u>	<u>\$ 705,838</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 9,260,701	\$ -	\$ (965,756)	\$ 8,294,945	\$ 781,889
G.O. improvement bonds	435,000	-	(35,000)	400,000	30,000
Unamortized premium on bonds	77,563	-	(6,018)	71,545	-
Total bonds payable	9,773,264	-	(1,006,774)	8,766,490	811,889
Pension Liability					
GERF	606,055	38,138	(119,544)	524,649	-
Compensated Absences Payable	54,304	51,329	(50,302)	55,331	40,389
Business-type Activities Long-term Liabilities	<u>\$ 10,433,623</u>	<u>\$ 89,467</u>	<u>\$ (1,176,620)</u>	<u>\$ 9,346,470</u>	<u>\$ 852,278</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2017, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	<u>\$ 5,056</u>	<u>\$ -</u>	<u>\$ 1,145</u>	<u>\$ 6,201</u>
Restricted for				
Debt service	\$ -	\$ 1,384,791	\$ -	\$ 1,384,791
Public safety	-	-	3,171	3,171
Community center improvements	-	-	10,000	10,000
Economic development	-	-	669,598	669,598
Total Restricted	<u>\$ -</u>	<u>\$ 1,384,791</u>	<u>\$ 682,769</u>	<u>\$ 2,067,560</u>
Committed to				
Capital projects	\$ -	\$ -	\$ 1,049,831	\$ 1,049,831
Street maintenance	-	-	313,460	313,460
Culture and recreation	-	-	12,277	12,277
Economic development	-	-	55,736	55,736
City technology improvements	-	-	5,202	5,202
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,436,506</u>	<u>\$ 1,436,506</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$104,864, \$105,054 and \$97,034, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

PEPFF Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$113,975, \$110,692 and \$98,214, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2017, the City reported a liability of \$1,378,930 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$17,319. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0216 percent which was an increase of 0.0005 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$290,311 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$500 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2017, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 45,397	\$ 86,930
Changes in Actuarial Assumptions	228,610	138,238
Net Difference between Projected and Actual Earnings on Plan Investments	-	61,864
Changes in Proportion	22,865	28,900
Contributions to GERF Subsequent to the Measurement Date	55,188	-
Total	<u>\$ 352,060</u>	<u>\$ 315,932</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$55,188 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ (17,724)
2019	76,055
2020	(18,856)
2021	(58,535)

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$945,083 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0700 percent which was an increase of 0.004 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$200,202 for its proportionate share of PEPFF's pension expense. The City also recognized \$6,300 for the year ended December 31, 2017, as pension revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2017, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 22,193	\$ 251,917
Changes in Actuarial Assumptions	1,314,139	1,341,784
Net Difference between Projected and Actual Earnings on Plan Investments	-	86,625
Changes in Proportion	93,337	6,706
Contributions to PEPFF Subsequent to the Measurement Date	<u>56,745</u>	<u>-</u>
Total	<u><u>\$ 1,486,414</u></u>	<u><u>\$ 1,687,032</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$56,745 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2018	\$ (18,095)
2019	64,509
2020	26
2021	(51,505)
2022	(252,298)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERP through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

GERP

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

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
	<u>100.00 %</u>	
Total	<u>100.00 %</u>	

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
GERF	\$ 2,138,822	\$ 1,378,930	\$ 756,820
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
PEPFF	\$ 1,779,868	\$ 945,083	\$ 255,923

H. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. As of December 31, 2017, the City is under the legal debt margin.

Note 5: Other Information (Continued)

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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal 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.

C. Isanti Area Joint Operating Fire Board District

In October of 2002, the City and the towns of Athens, Bradford, Isanti, Oxford, Spencer Brook and Stanford, entered a joint powers agreement to acquire and pay for new fire department substations in the townships. The City shall deposit in advance quarterly contributions with the treasurer of the Isanti Area Joint Operating Fire fund. The amount of the quarterly contributions to the fund shall be according to the proportions established in the fire protection contract. Upon termination of the agreement, any real property or buildings owned by the Board shall become the sole property of the City or Township in which the property lies. The City contributed \$209,043 to the Board in 2017. The City's equity interest and its share of the net income (loss) of the District is not measurable and it is not explicit; therefore, no equity interest is reported in the government-wide financial statements.

D. Cambridge-Isanti Bike-Walk Trail

On September 8, 2008, the City entered into a joint and cooperative agreement with Isanti County, Isanti Township, and the City of Cambridge for the construction, operation, and maintenance of a bike-walk trail that connects the cities of Cambridge and Isanti. The trail was constructed with Federal and State grants received by Isanti County and the City of Cambridge. Isanti is responsible for maintaining and operating the part of the trail lying south of the centerline of the right of way of 301st Avenue. The agreement will terminate after 20 years. The City contributed \$11,200 to the cooperative during 2017.

E. North Trunk Highway 65 Corridor Coalition

On September 19, 2006, the City of Isanti joined the North Trunk Highway 65 Corridor Coalition. The Coalition consists of cities, counties, and towns from Highway 10 in Blaine to the northern reaches of Kanabec County. The agreement states that the City must support the preservation and upgrade of the corridor to meet future transportation needs for various modes including, but not limited to, highway improvements, bus improvements, commuter, freight rail, multi-use paths, and Intelligent Transportation Systems (ITS).

F. Minnesota Department of Transportation Partnership Agreement

On June 3, 2008, the City entered into a partnership agreement with the Minnesota Department of Transportation to undertake collaborative efforts for the design, construction, maintenance, and operation of state and local roads. The agreement allows both parties to write work orders against a master contract without prior City Council consent to ensure the greatest speed and flexibility in responding to identified needs. This agreement was renewed by the City Council on December 18, 2012 and will remain in effect for five years.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 6: Commitments and Contingencies

A. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2017 was \$585,309 for LGA. This accounted for 17 percent of General fund revenues.

B. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Isanti, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0216 %	\$ 1,378,930	\$ 17,319	\$ 1,396,249	\$ 1,389,926	100.5 %	75.9 %
06/30/16	0.0211	1,713,216	-	1,713,216	1,332,954	128.5	68.9
06/30/15	0.0219	1,134,972	-	1,134,972	1,284,497	88.4	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 104,864	\$ 104,864	\$ -	\$ 1,398,187	7.5 %
12/31/16	105,054	105,054	-	1,400,720	7.5
12/31/15	97,034	97,034	-	1,293,787	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0700 %	\$ 945,083	\$ -	\$ 945,083	\$ 723,699	130.6 %	85.4 %
06/30/16	0.0660	2,648,695	-	2,648,695	656,570	403.4	63.9
06/30/15	0.0620	704,465	-	704,465	563,393	125.0	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Public Employees Police And Fire Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 113,975	\$ 113,975	\$ -	\$ 703,552	16.2 %
12/31/16	110,692	110,692	-	683,284	16.2
12/31/15	98,214	98,214	-	606,259	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Isanti, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 294,471	\$ 982,370	\$ 1,276,841
Receivables			
Accrued interest	(67)	1,685	1,618
Taxes	20,752	-	20,752
Accounts	80,379	-	80,379
Loans	461,395	-	461,395
Special assessments	-	20,780	20,780
Prepaid items	1,145	-	1,145
Land held for resale	18,900	-	18,900
	<u>876,975</u>	<u>1,004,835</u>	<u>1,881,810</u>
Total Assets	\$ 876,975	\$ 1,004,835	\$ 1,881,810
Liabilities			
Accounts payable	\$ 23,023	\$ -	\$ 23,023
Accrued salaries payable	1,599	-	1,599
Advances from other funds	25,060	-	25,060
Total Liabilities	<u>49,682</u>	<u>-</u>	<u>49,682</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent taxes	20,752	-	20,752
Unavailable revenue - special assessments	-	20,780	20,780
Resources received in advance	-	207,556	207,556
Total Deferred Inflows of Resources	<u>20,752</u>	<u>228,336</u>	<u>249,088</u>
Fund Balances			
Nonspendable	1,145	-	1,145
Restricted	672,769	10,000	682,769
Committed	386,675	1,049,831	1,436,506
Unassigned	(254,048)	(283,332)	(537,380)
Total Fund Balances	<u>806,541</u>	<u>776,499</u>	<u>1,583,040</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 876,975</u></u>	<u><u>\$ 1,004,835</u></u>	<u><u>\$ 1,881,810</u></u>

City of Isanti, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 332,679	\$ -	\$ 332,679
Intergovernmental	-	176,203	176,203
Charges for services	31,741	-	31,741
Fines and forfeitures	5,065	-	5,065
Special assessments	-	3,171	3,171
Investment earnings	2,951	8,215	11,166
Miscellaneous			
Refunds and reimbursements	53	-	53
Contributions and donations	30,375	119	30,494
Other	11,123	44,967	56,090
Total Revenues	<u>413,987</u>	<u>232,675</u>	<u>646,662</u>
Expenditures			
Current			
General government	1,500	-	1,500
Public safety	11,389	-	11,389
Culture and recreation	34,629	-	34,629
Economic development	243,335	-	243,335
Capital outlay			
General government	5,324	-	5,324
Public works	-	213,464	213,464
Culture and recreation	-	7,500	7,500
Economic development	12,298	-	12,298
Total Expenditures	<u>308,475</u>	<u>220,964</u>	<u>529,439</u>
Excess of Revenues Over Expenditures	<u>105,512</u>	<u>11,711</u>	<u>117,223</u>
Other Financing Sources (Uses)			
Transfers in	147,400	386,527	533,927
Transfers out	(432,710)	-	(432,710)
Total Other Financing Sources (Uses)	<u>(285,310)</u>	<u>386,527</u>	<u>101,217</u>
Net Change in Fund Balances	(179,798)	398,238	218,440
Fund Balances, January 1	<u>986,339</u>	<u>378,261</u>	<u>1,364,600</u>
Fund Balances, December 31	<u>\$ 806,541</u>	<u>\$ 776,499</u>	<u>\$ 1,583,040</u>

City of Isanti, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2017

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture Fund
Assets					
Cash and temporary investments	\$ 7,759	\$ 6,606	\$ (67,110)	\$ 93,454	\$ 3,214
Receivables					
Accrued interest	18	(235)	(152)	212	7
Taxes	-	-	-	-	-
Accounts	-	5,119	-	-	-
Loans	-	-	-	461,395	-
Prepaid items	-	1,145	-	-	-
Land held for resale	-	-	-	-	-
Total Assets	<u>\$ 7,777</u>	<u>\$ 12,635</u>	<u>\$ (67,262)</u>	<u>\$ 555,061</u>	<u>\$ 3,221</u>
Liabilities					
Accounts payable	\$ 100	\$ 19,950	\$ -	\$ -	\$ 50
Accrued salaries payable	-	1,599	-	-	-
Advance from other funds	-	-	-	-	-
Total Liabilities	<u>100</u>	<u>21,549</u>	<u>-</u>	<u>-</u>	<u>50</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent taxes	-	-	-	-	-
Fund Balances					
Nonspendable	-	1,145	-	-	-
Restricted	-	-	-	499,325	3,171
Committed	7,677	-	-	55,736	-
Unassigned	-	(10,059)	(67,262)	-	-
Total Fund Balances	<u>7,677</u>	<u>(8,914)</u>	<u>(67,262)</u>	<u>555,061</u>	<u>3,171</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,777</u>	<u>\$ 12,635</u>	<u>\$ (67,262)</u>	<u>\$ 555,061</u>	<u>\$ 3,221</u>

223 Youth Rec Education Safety	224 Cambridge Isanti Joint Event	225 Utility Franchise Fund	226 Isanti Indoor Arena	409 TIF 9	410 TIF 10	411 TIF 11	614 City Technology Improvement	Total
\$ 3,121	\$ 1,472	\$ 239,352	\$ (176,389)	\$ 117,431	\$ 61,391	\$ 129	\$ 4,041	\$ 294,471
7	-	-	(338)	266	139	-	9	(67)
-	-	-	-	14,332	-	6,420	-	20,752
-	-	74,108	-	-	-	-	1,152	80,379
-	-	-	-	-	-	-	-	461,395
-	-	-	-	-	-	-	-	1,145
-	-	-	-	18,900	-	-	-	18,900
<u>\$ 3,128</u>	<u>\$ 1,472</u>	<u>\$ 313,460</u>	<u>\$ (176,727)</u>	<u>\$ 150,929</u>	<u>\$ 61,530</u>	<u>\$ 6,549</u>	<u>\$ 5,202</u>	<u>\$ 876,975</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,923	\$ -	\$ -	\$ -	\$ 23,023
-	-	-	-	-	-	-	-	1,599
-	-	-	-	25,060	-	-	-	25,060
-	-	-	-	27,983	-	-	-	49,682
-	-	-	-	14,332	-	6,420	-	20,752
-	-	-	-	-	-	-	-	1,145
-	-	-	-	108,614	61,530	129	-	672,769
3,128	1,472	313,460	-	-	-	-	5,202	386,675
-	-	-	(176,727)	-	-	-	-	(254,048)
<u>3,128</u>	<u>1,472</u>	<u>313,460</u>	<u>(176,727)</u>	<u>108,614</u>	<u>61,530</u>	<u>129</u>	<u>5,202</u>	<u>806,541</u>
<u>\$ 3,128</u>	<u>\$ 1,472</u>	<u>\$ 313,460</u>	<u>\$ (176,727)</u>	<u>\$ 150,929</u>	<u>\$ 61,530</u>	<u>\$ 6,549</u>	<u>\$ 5,202</u>	<u>\$ 876,975</u>

City of Isanti, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2017

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture Fund
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise taxes	-	20,127	-	-	-
Charges for services	-	3,391	28,350	-	-
Fines and forfeitures	-	-	-	-	5,065
Investment earnings (loss)	97	(237)	(669)	749	49
Miscellaneous					
Refunds and reimbursements	-	53	-	-	-
Contributions and donations	29,500	5,725	(4,850)	-	-
Other	-	6,320	-	1,519	3,284
Total Revenues	<u>29,597</u>	<u>35,379</u>	<u>22,831</u>	<u>2,268</u>	<u>8,398</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	11,389
Culture and recreation	34,368	-	261	-	-
Economic development	-	177,711	-	55,817	-
Capital outlay					
General government	-	-	-	-	-
Economic development	-	11,798	-	-	-
Total Expenditures	<u>34,368</u>	<u>189,509</u>	<u>261</u>	<u>55,817</u>	<u>11,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,771)</u>	<u>(154,130)</u>	<u>22,570</u>	<u>(53,549)</u>	<u>(2,991)</u>
Other Financing Sources (Uses)					
Transfers in	-	147,400	-	-	-
Transfers out	-	(19,150)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>128,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,771)	(25,880)	22,570	(53,549)	(2,991)
Fund Balances, January 1	<u>12,448</u>	<u>16,966</u>	<u>(89,832)</u>	<u>608,610</u>	<u>6,162</u>
Fund Balances, December 31	<u>\$ 7,677</u>	<u>\$ (8,914)</u>	<u>\$ (67,262)</u>	<u>\$ 555,061</u>	<u>\$ 3,171</u>

223 Youth Rec Education Safety	224 Cambridge Isanti Joint Event	225 Utility Franchise Fund	226 Isanti Indoor Arena	409 TIF 9	410 TIF 10	411 TIF 11	614 City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ 19,403	\$ -	\$ -	\$ -	\$ 19,403
-	-	279,731	-	-	-	-	13,418	313,276
-	-	-	-	-	-	-	-	31,741
-	-	-	-	-	-	-	-	5,065
28	-	2,674	(1,359)	1,002	587	3	27	2,951
-	-	-	-	-	-	-	-	53
-	-	-	-	-	-	-	-	30,375
-	-	-	-	-	-	-	-	11,123
28	-	282,405	(1,359)	20,405	587	3	13,445	413,987
-	-	-	-	-	-	-	1,500	1,500
-	-	-	-	-	-	-	-	11,389
-	-	-	-	-	-	-	-	34,629
-	-	-	-	5,846	3,461	500	-	243,335
-	-	-	-	-	-	-	5,324	5,324
-	-	-	-	500	-	-	-	12,298
-	-	-	-	6,346	3,461	500	6,824	308,475
28	-	282,405	(1,359)	14,059	(2,874)	(497)	6,621	105,512
-	-	-	-	-	-	-	-	147,400
-	-	(238,192)	(175,368)	-	-	-	-	(432,710)
-	-	(238,192)	(175,368)	-	-	-	-	(285,310)
28	-	44,213	(176,727)	14,059	(2,874)	(497)	6,621	(179,798)
3,100	1,472	269,247	-	94,555	64,404	626	(1,419)	986,339
\$ 3,128	\$ 1,472	\$ 313,460	\$ (176,727)	\$ 108,614	\$ 61,530	\$ 129	\$ 5,202	\$ 806,541

City of Isanti, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2017

	420 Signal Light Improvement	427 Fairway Blvd/ County 5 Signal	432 Railroad Avenue Improvements	434 2013 Railroad Avenue & Walk Improvements	435 BMX & Bluebird Improvements
Assets					
Cash and temporary investments	\$ 339,578	\$ 191,552	\$ 44,056	\$ 4,587	\$ -
Receivables					
Accrued interest	769	434	100	10	-
Special assessments	-	-	20,780	-	-
	<u>-</u>	<u>-</u>	<u>20,780</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 340,347</u>	<u>\$ 191,986</u>	<u>\$ 64,936</u>	<u>\$ 4,597</u>	<u>\$ -</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	\$ -	\$ -	\$ 20,780	\$ -	\$ -
Resources received in advance	-	-	-	207,556	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>20,780</u>	<u>207,556</u>	<u>-</u>
Fund Balances					
Restricted	-	-	-	-	-
Committed	340,347	191,986	44,156	-	-
Unassigned	-	-	-	(202,959)	-
Total Fund Balances	<u>340,347</u>	<u>191,986</u>	<u>44,156</u>	<u>(202,959)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 340,347</u>	<u>\$ 191,986</u>	<u>\$ 64,936</u>	<u>\$ 4,597</u>	<u>\$ -</u>

436 Public Works 2014 Site Improvements	437 Pavement Management Improvements	438 City Parking Improvements	440 2017 Pavement Management Improvements	920 Capital Replacement	Total
\$ (5,806)	\$ 31,142	\$ (74,386)	\$ 538	\$ 451,109	\$ 982,370
(13)	70	(168)	(538)	1,021	1,685
-	-	-	-	-	20,780
<u>\$ (5,819)</u>	<u>\$ 31,212</u>	<u>\$ (74,554)</u>	<u>\$ -</u>	<u>\$ 452,130</u>	<u>\$ 1,004,835</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,780
-	-	-	-	-	207,556
-	-	-	-	-	228,336
-	-	-	-	10,000	10,000
-	31,212	-	-	442,130	1,049,831
(5,819)	-	(74,554)	-	-	(283,332)
<u>(5,819)</u>	<u>31,212</u>	<u>(74,554)</u>	<u>-</u>	<u>452,130</u>	<u>776,499</u>
<u>\$ (5,819)</u>	<u>\$ 31,212</u>	<u>\$ (74,554)</u>	<u>\$ -</u>	<u>\$ 452,130</u>	<u>\$ 1,004,835</u>

City of Isanti, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2017

	420 Signal Light Improvement	427 Fairway Blvd/ County 5 Signal	432 Railroad Avenue Improvements	434 2013 Railroad Avenue & Walk Improvements	435 BMX & Bluebird Improvements
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 176,203	\$ -
Special assessments	-	-	3,171	-	-
Investment earnings (loss)	2,951	1,743	381	41	-
Miscellaneous					
Contributions and donations	-	119	-	-	-
Other	44,967	-	-	-	-
Total Revenues	<u>47,918</u>	<u>1,862</u>	<u>3,552</u>	<u>176,244</u>	<u>-</u>
Expenditures					
Capital outlay					
Public works	-	-	10	-	-
Culture and recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,918	1,862	3,542	176,244	-
Other Financing Sources (Uses)					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,335</u>
Net Change in Fund Balances	47,918	1,862	3,542	176,244	148,335
Fund Balances, January 1	<u>292,429</u>	<u>190,124</u>	<u>40,614</u>	<u>(379,203)</u>	<u>(148,335)</u>
Fund Balances, December 31	<u>\$ 340,347</u>	<u>\$ 191,986</u>	<u>\$ 44,156</u>	<u>\$ (202,959)</u>	<u>\$ -</u>

436 Public Works 2014 Site Improvements	437 Pavement Management Improvements	438 City Parking Improvements	440 2017 Pavement Management Improvements	920 Capital Replacement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,203
-	-	-	-	-	3,171
(53)	283	(655)	(575)	4,099	8,215
-	-	-	-	-	119
-	-	-	-	-	44,967
<u>(53)</u>	<u>283</u>	<u>(655)</u>	<u>(575)</u>	<u>4,099</u>	<u>232,675</u>
-	-	46	213,408	-	213,464
-	-	-	-	7,500	7,500
<u>-</u>	<u>-</u>	<u>46</u>	<u>213,408</u>	<u>7,500</u>	<u>220,964</u>
(53)	283	(701)	(213,983)	(3,401)	11,711
-	-	-	238,192	-	386,527
(53)	283	(701)	24,209	(3,401)	398,238
<u>(5,766)</u>	<u>30,929</u>	<u>(73,853)</u>	<u>(24,209)</u>	<u>455,531</u>	<u>378,261</u>
<u>\$ (5,819)</u>	<u>\$ 31,212</u>	<u>\$ (74,554)</u>	<u>\$ -</u>	<u>\$ 452,130</u>	<u>\$ 776,499</u>

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City of Isanti, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budget Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
Property taxes	\$ 2,009,086	\$ 2,009,086	\$ 2,018,262	\$ 1,921,734
Licenses and permits				
Business	13,000	13,000	12,138	14,200
Nonbusiness	120,000	120,000	349,292	355,124
Total Licenses and Permits	133,000	133,000	361,430	369,324
Intergovernmental				
Federal				
Other	9,000	9,000	10,906	8,057
State				
Local government aid	585,318	585,318	585,309	581,099
Property tax credits	-	-	18	(274)
Police aid	63,000	63,000	72,777	69,277
Municipal state aid				
street maintenance	60,000	60,000	58,734	59,117
Other	1,205	1,205	1,205	2,205
Regional				
Other	-	-	2,500	-
Total Intergovernmental	718,523	718,523	731,449	719,481
Charges for services				
General government	35,400	35,400	37,663	43,737
Public safety	62,750	62,750	65,287	63,377
Public works	4,650	4,650	9,528	6,057
Culture and recreation	87,050	87,050	92,892	85,597
Total Charges for Services	189,850	189,850	205,370	198,768
Fines and forfeitures	32,300	32,300	47,217	41,181
Investment earnings	25,000	25,000	13,640	11,862
Miscellaneous				
Refunds and reimbursements	25,000	25,000	13,149	29,499
Other	1,000	1,000	2,821	5,988
Total Miscellaneous	26,000	26,000	15,970	35,487
Total Revenues	3,133,759	3,133,759	3,393,338	3,297,837

City of Isanti, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current expenditures					
General government					
Mayor and City Council					
Personnel services	\$ 26,834	\$ 26,834	\$ 24,062	\$ 2,772	\$ 23,923
Supplies	4,900	4,900	919	3,981	416
Other services and charges	10,818	10,818	9,456	1,362	2,563
Total Mayor and City Council	42,552	42,552	34,437	8,115	26,902
Elections					
Personnel services	-	-	-	-	4,863
Supplies	100	100	-	100	1,131
Other services and charges	7,250	7,250	1,138	6,112	1,794
Total Elections	7,350	7,350	1,138	6,212	7,788
Financial administration					
Personnel services	344,694	344,694	368,371	(23,677)	318,935
Supplies	14,360	14,360	12,290	2,070	11,077
Other services and charges	85,496	85,496	101,262	(15,766)	135,918
Total Finance Administration	444,550	444,550	481,923	(37,373)	465,930
Planning and zoning					
Personnel services	88,196	88,196	70,872	17,324	82,807
Supplies	4,178	4,178	3,086	1,092	2,584
Other services and charges	11,771	11,771	60,689	(48,918)	16,066
Total Planning and Zoning	104,145	104,145	134,647	(30,502)	101,457
Municipal building					
Personnel services	215	215	-	215	-
Supplies	1,575	1,575	759	816	2,635
Other services and charges	29,637	29,637	29,146	491	34,549
Total Municipal Building	31,427	31,427	29,905	1,522	37,184
Total General Government	630,024	630,024	682,050	(52,026)	639,261

City of Isanti, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current expenditures (continued)					
Public safety					
Police					
Personnel services	\$ 1,089,995	\$ 1,089,995	\$ 1,111,136	\$ (21,141)	\$ 1,045,854
Supplies	26,750	26,750	19,400	7,350	22,334
Other services and charges	141,594	141,594	132,696	8,898	142,809
Total Police	1,258,339	1,258,339	1,263,232	(4,893)	1,210,997
Fire protection					
Other services and charges	233,593	233,593	209,043	24,550	203,125
Building inspection					
Personnel services	112,815	112,815	104,729	8,086	117,556
Supplies	4,528	4,528	2,432	2,096	3,244
Other services and charges	28,300	28,300	39,302	(11,002)	44,555
Total Building Inspection	145,643	145,643	146,463	(820)	165,355
Code enforcement					
Personnel services	29,467	29,467	26,541	2,926	26,733
Supplies	550	550	33	517	72
Other services and charges	7,195	7,195	6,356	839	4,044
Total Code Enforcement	37,212	37,212	32,930	4,282	30,849
Animal control					
Supplies	500	500	200	300	96
Other services and charges	5,221	5,221	4,520	701	4,609
Total Animal Control	5,721	5,721	4,720	1,001	4,705
Total Public Safety	1,680,508	1,680,508	1,656,388	24,120	1,615,031
Public works					
Streets and highways					
Personnel services	187,216	187,216	191,844	(4,628)	177,001
Supplies	106,400	106,400	67,819	38,581	73,995
Other services and charges	50,557	50,557	74,133	(23,576)	84,181
Total Streets and Highways	344,173	344,173	333,796	10,377	335,177

City of Isanti, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budget Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current expenditures (continued)				
Public works (continued)				
Street lighting				
Other services and charges	\$ 63,400	\$ 63,400	\$ 50,391	\$ 59,132
Sanitation and waste control				
Personnel services	13,190	13,190	13,163	11,646
Supplies	1,500	1,500	766	675
Other services and charges	3,959	3,959	2,572	20,663
Total Sanitation and Waste Control	18,649	18,649	16,501	32,984
General city maintenance				
Personnel services	25,226	25,226	29,068	24,784
Supplies	8,950	8,950	4,561	6,846
Other services and charges	21,736	21,736	18,292	13,835
Total General City Maintenance	55,912	55,912	51,921	45,465
Total Public Works	482,134	482,134	452,609	472,758
Culture and recreation				
Parks and recreation				
Personnel services	185,023	185,023	181,169	163,477
Supplies	17,903	17,903	8,552	12,142
Other services and charges	131,711	142,969	130,913	103,243
Total Culture and Recreation	334,637	345,895	320,634	278,862
Economic development				
Other services and charges	9,920	9,920	5,084	11,631
Total Current Expenditures	3,137,223	3,148,481	3,116,765	3,017,543

City of Isanti, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 10,912	\$ 10,912	\$ 3,801	\$ 7,111	\$ 17,498
Public safety	62,000	62,000	62,523	(523)	66,666
Public works	41,834	41,834	30,593	11,241	23,744
Culture and recreation	60,990	60,990	43,831	17,159	2,993
Total Capital Outlay	<u>175,736</u>	<u>175,736</u>	<u>140,748</u>	<u>34,988</u>	<u>110,901</u>
Debt service					
Interest and other	-	-	961	(961)	1,261
Total Expenditures	<u>3,312,959</u>	<u>3,324,217</u>	<u>3,258,474</u>	<u>65,743</u>	<u>3,129,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(179,200)</u>	<u>(190,458)</u>	<u>134,864</u>	<u>325,322</u>	<u>168,132</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	2,500
Transfers in	369,150	369,150	396,183	27,033	346,510
Transfers out	<u>(144,405)</u>	<u>(147,400)</u>	<u>(147,400)</u>	-	<u>(146,563)</u>
Total Other Financing Sources (Uses)	<u>224,745</u>	<u>221,750</u>	<u>248,783</u>	<u>27,033</u>	<u>202,447</u>
Net Change in Fund Balances	45,545	31,292	383,647	352,355	370,579
Fund Balances, January 1	<u>1,697,940</u>	<u>1,697,940</u>	<u>1,697,940</u>	-	<u>1,327,361</u>
Fund Balances, December 31	<u>\$ 1,743,485</u>	<u>\$ 1,729,232</u>	<u>\$ 2,081,587</u>	<u>\$ 352,355</u>	<u>\$ 1,697,940</u>

City of Isanti, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2017

	918 2006A Improvement Bonds	919 2008A Improvement Bonds	928 2009A Crossover Refunding Bonds	929 2010B G.O. Improvement Refunding Bonds
Assets				
Cash and temporary investments	\$ 59,936	\$ 84,736	\$ 44,983	\$ 736,060
Receivables				
Accrued interest	136	192	102	1,666
Special assessments	<u>146,394</u>	<u>346,965</u>	<u>319,837</u>	<u>305,477</u>
 Total Assets	 <u><u>\$ 206,466</u></u>	 <u><u>\$ 431,893</u></u>	 <u><u>\$ 364,922</u></u>	 <u><u>\$ 1,043,203</u></u>
 LIABILITIES				
Accounts payable	\$ 268	\$ 268	\$ 161	\$ 268
 Deferred Inflows of Resources				
Unavailable revenue - special assessments	146,394	346,965	319,837	305,477
 Fund Balances				
Restricted for debt service	<u>59,804</u>	<u>84,660</u>	<u>44,924</u>	<u>737,458</u>
 Total Deferred Inflows of Resources, Liabilities and Fund Balances	 <u><u>\$ 206,466</u></u>	 <u><u>\$ 431,893</u></u>	 <u><u>\$ 364,922</u></u>	 <u><u>\$ 1,043,203</u></u>

	930 2011A G.O. Improvement Bonds	931 2014A G.O. Tax Abatement Bonds	932 2014B G.O. Improvement Bonds	Total
	\$ 190,111	\$ 217,055	\$ 49,925	\$ 1,382,806
	430	491	113	3,130
	88,528	-	-	1,207,201
	<u>\$ 279,069</u>	<u>\$ 217,546</u>	<u>\$ 50,038</u>	<u>\$ 2,593,137</u>
	\$ 268	\$ -	\$ 268	\$ 1,501
	88,172	-	-	1,206,845
	<u>190,629</u>	<u>217,546</u>	<u>49,770</u>	<u>1,384,791</u>
	<u>\$ 279,069</u>	<u>\$ 217,546</u>	<u>\$ 50,038</u>	<u>\$ 2,593,137</u>

City of Isanti, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2017

	918 2006A Improvement Bonds	919 2008A Improvement Bonds	928 2009A Crossover Refunding Bonds	929 2010B G.O. Improvement Refunding Bonds
Revenues				
Property taxes	\$ -	\$ 48,327	\$ -	\$ 250,000
Special assessments	28,706	22,900	20,294	11,295
Investment earnings	389	1,476	868	5,712
Total Revenues	<u>29,095</u>	<u>72,703</u>	<u>21,162</u>	<u>267,007</u>
Expenditures				
Debt service				
Principal	-	160,000	85,000	50,000
Interest and other	449	11,249	3,205	38,134
Total Expenditures	<u>449</u>	<u>171,249</u>	<u>88,205</u>	<u>88,134</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,646	(98,546)	(67,043)	178,873
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	28,646	(98,546)	(67,043)	178,873
Fund Balances, January 1	<u>31,158</u>	<u>183,206</u>	<u>111,967</u>	<u>558,585</u>
Fund Balances, December 31	<u><u>\$ 59,804</u></u>	<u><u>\$ 84,660</u></u>	<u><u>\$ 44,924</u></u>	<u><u>\$ 737,458</u></u>

930 2011A G.O. Improvement Bonds	931 2014A G.O. Tax Abatement Bonds	932 2014B G.O. Improvement Bonds	Total
\$ 7,870	\$ 224,871	\$ 47,407	\$ 578,475
44,354	-	-	127,549
1,235	505	128	10,313
<u>53,459</u>	<u>225,376</u>	<u>47,535</u>	<u>716,337</u>
80,000	155,000	40,000	570,000
11,037	60,713	5,739	130,526
<u>91,037</u>	<u>215,713</u>	<u>45,739</u>	<u>700,526</u>
(37,578)	9,663	1,796	15,811
39,001	-	-	39,001
1,423	9,663	1,796	54,812
<u>189,206</u>	<u>207,883</u>	<u>47,974</u>	<u>1,329,979</u>
<u>\$ 190,629</u>	<u>\$ 217,546</u>	<u>\$ 49,770</u>	<u>\$ 1,384,791</u>

City of Isanti, Minnesota
Agency Fund
Schedule of Changes in Assets and Liabilities
For the Year Ended December 31, 2017

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Developer Escrow Accounts				
Assets				
Cash and temporary investments	\$ 57,458	\$ 151,194	\$ (145,800)	\$ 62,852
Accounts receivable	<u>5,907</u>	<u>325,207</u>	<u>(329,727)</u>	<u>1,387</u>
Total Assets	<u><u>\$ 63,365</u></u>	<u><u>\$ 476,401</u></u>	<u><u>\$ (475,527)</u></u>	<u><u>\$ 64,239</u></u>
Liabilities				
Accounts payable	<u><u>\$ 63,365</u></u>	<u><u>\$ (178,533)</u></u>	<u><u>\$ 179,407</u></u>	<u><u>\$ 64,239</u></u>

City of Isanti, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 2,929,416	\$ 2,888,925	1.40 %
Licenses and permits	361,430	369,324	(2.14)
Intergovernmental	907,652	896,830	1.21
Charges for services	237,111	215,268	10.15
Fines and forfeits	52,282	48,652	7.46
Special assessments	147,211	130,000	13.24
Investment earnings	33,215	37,074	(10.41)
Miscellaneous	102,607	113,613	(9.69)
Total Revenues	<u>\$ 4,770,924</u>	<u>\$ 4,699,686</u>	1.52 %
Per Capita	<u>\$ 850</u>	<u>\$ 855</u>	(0.60) %
Expenditures			
Current			
General government	\$ 683,550	\$ 639,261	6.93 %
Public safety	1,667,777	1,623,997	2.70
Public works	452,609	472,758	(4.26)
Culture and recreation	355,263	309,761	14.69
Economic development	248,419	183,444	35.42
Capital outlay			
General government	9,125	36,297	(74.86)
Public safety	62,523	69,504	(10.04)
Public works	939,452	78,293	1,099.92
Culture and recreation	51,331	125,335	(59.04)
Economic development	12,298	29,191	(57.87)
Debt service			
Principal	570,000	820,000	(30.49)
Interest and other	131,487	154,403	(14.84)
Total Expenditures	<u>\$ 5,183,834</u>	<u>\$ 4,542,244</u>	14.12 %
Per Capita	<u>\$ 923</u>	<u>\$ 826</u>	11.75 %
Total Long-term Indebtedness	\$ 4,320,000	\$ 4,890,000	(11.66) %
Per Capita	770	890	(13.50)
General Fund Balance - December 31	\$ 2,081,587	\$ 1,697,940	22.59 %
Per Capita	371	309	20.04

The purpose of this report is to provide a summary of financial information concerning the City of Isanti to interested citizens. The complete financial statements may be examined at City Hall, 110 1st Avenue Northwest, PO Box 428, Isanti, MN 55040. Questions about this report should be directed to the Finance Director at (763) 444-5512.

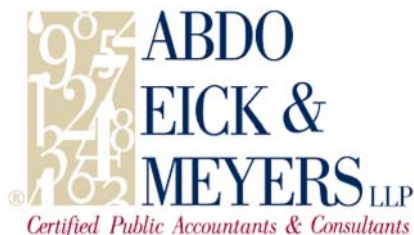
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OTHER REQUIRED REPORTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Isanti, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 6, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota 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.

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 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's noncompliance with the above referenced provisions.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 6, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Isanti, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

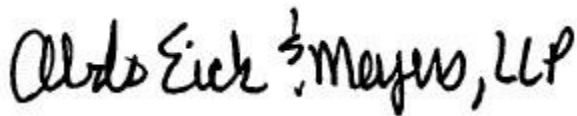
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to the Finding

The City's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 6, 2018

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City of Isanti, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.